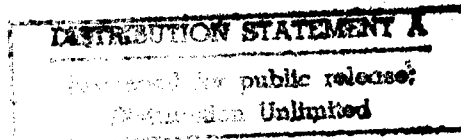


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JPRS-EEI-84-067

7 June 1984



# East Europe Report

ECONOMIC AND INDUSTRIAL AFFAIRS

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7 June 1984

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## INTERNATIONAL AFFAIRS

### HUNGARIAN-USSR VEHICLE TRADE DESCRIBED

Budapest HETI VILAGGAZDASAG in Hungarian No 16, 21 Apr 84 pp 51-52

[Text] The Soviet automotive industry plays a decisive role with respect to exports by the Hungarian bus industry and passenger car imports. Participating in the recent opening ceremonies at the brand new Hungarian center for the automotive industry, our coworker used the occasion to take a good look at the details of the vehicle trade between the two countries.

How many more Icarus buses can be still rolled over to the Soviet Union with the 80,000 already there?--I was brooding not long ago as I counted several dozens of the four-wheel buses from the Matyasfold Factory while moving from the Seremetyevo airport--as it happened, on deck of an Intourist-Icarus--toward downtown Moscow. I confess that my thoughts did not dwell on Icarus accidentally or for reasons of some nationalistic pride. The fact is, in early April, as sort of an "observing" member of the large Hungarian delegation of the automobile industry, I participated in the opening ceremony of the Hungarian center for the automotive industry formerly located in the building of the Hungarian trade delegation in Moscow, on Kropotinski Street. Over and above the protocol formalities used at such occasions, the festive event also furnished a good chance for the Hungarian and Soviet experts participating in the dedication of the center designed to improve the service to customers, for enumerating the joys and problems of their relations and for appraising the tasks awaiting solution in the near future.

At any rate, it is a fact that those involved can post spectacular achievements. Vehicle trade between the two countries has expanded at a tempestuous rate during the past 15 years. Last year, the value of bilateral automotive industrial deliveries was a total of 880 million rubles and by now, 10 percent of the total Hungarian-Soviet trade of goods consists of automotive industry products. The intensity of the trade can be demonstrated by the data on buses, the "most solid" product of the Hungarian export. While in 1973, the Soviet consumers could take possession of only 4,812 Icarus buses, the figure was 7,539 for last year. The importance of Icarus in Soviet mass transportation is clearly demonstrated by the fact that Icarus makes up one quarter of the total bus pool in the USSR, half of the buses of the Intourist travel agency are marked Icarus, while the Sovtransavto transport enterprise uses exclusively Hungarian buses both for its domestic and international passenger traffic. As far as deliveries from Hungary are

concerned, their quantity apparently is not reduced this year either. Jozsef Tisza, the Moscow representative of the Mogurt foreign trade enterprise stated that in 1984, the goal is to export as many as 7,600 buses to the Soviet Union. A similar increase is seen in the export of parts; the ruble values of Hungarian automobile spare parts industry sent to the Soviet Union were 29.3 in 1973, 130.2 in 1978 and 238.4 million in 1983 while this year's projection is 240.7 million rubles.

The people I talked with in Moscow continually stressed that this extensive amount of products could hardly be exchanged today without the efforts of industrial and commercial developments during the past decades. Already in the 1960's, after evaluating the tendencies in global vehicle production and the domestic possibilities, the Hungarian industrial leadership was of the opinion that it would be senseless to get set up for passenger car production; Hungarian industry should have its place, above all, in the manufacture of buses. Today, 14,000 buses per year are rolling off the manufacturing belts of Icarus while Raba in Gyor produces 100,000 chassis and about 30,000 diesel engines per year. (The Hungarian automotive industry enterprises make up 6 percent of the total industrial production.)

The advantages derived from large-scale manufacturing can only be converted into financial gains if the producers can count on secure receiving markets. "Today, when capitalist recession did not spare the international service vehicle market either, and liquid markets are getting fewer and fewer, even the large Western service vehicle producers are watching with envy the sales of Icarus in the socialist countries"--says Janos Sapi, deputy-executive director of Mogurt. Actually the idea was stressed also by Bela Rabi, under-secretary of the Ministry of Industry, in his speech at the opening of the Automotive Industry Center in Moscow. He stated that four fifths of the Hungarian automotive industry products find buyers in the socialist countries. From the aspect of working out product development conceptions and serial sizes to be economical, it is a decisive advantage that, on the basis of the cooperation and specialization agreements signed with the CEMA countries and primarily with the Soviet Union, the Hungarian automotive industry could find places in the socialist countries to send its products to, which are secure on the long range.

The Soviet-Hungarian automotive trade is indeed based on four more important, long-range product specialization and cooperation agreements. According to the agreement on the specialization of finished automotive industry products, the Soviet Union is sending trucks, special purpose service vehicles and passenger cars--in return for the delivery of the large-capacity Icarus buses--to supply part of the Hungarian traffic demand. In the framework of the agreement on automotive industry partial units, Raba of Gyor is supplying rear-axle housing to the Soviet bus and trolley producers; in return, the Soviet factories will supply the Hungarian automotive industry with front-axles for service vehicles, power steering pumps and universal joints. Based on the so-called transmission cooperation, the Csepel Car Factory is supplying the car factory in Lvov with transmission parts; in return, the Soviet counterpart is delivering complete hydromechanical transmissions for the Icarus buses.

The Lada cooperation is in the center of the Hungarian public interest if only because, in recent years, the waiting list for Ladas has gotten quite long. At the opening festivities of the already mentioned center in Moscow, numerous references were made to the 15-year VAZ [Volga Car Factory] cooperation, in the framework of which the Hungarian enterprises are supplying the VAZ with electrical parts for cars, instruments and locks. However, there was very close-mouthed reply to the question how the Soviet export of Ladas--so popular among Hungarian car owners--could be increased. In response to my question, Zveginchev Aleksander, head of the sale and marketing section of the car export enterprise handling Ladas, showed me long columns of numbers to illustrate the export performance of his enterprise, but his reply to the question of expanding the delivery of Ladas was laconic. In his words, this problem belongs among the bilateral governmental agreements. The fact is that, as opposed to the Hungarian import of 45,000 Ladas per year appearing in earlier long-range plans, this year's projection is only 25,000 cars and, as noted by Gyula Sos, executive director of the Bakony Works, one of the great Hungarian enterprises which cooperate with the Volga Car Factory, in the framework of the present passenger car cooperation, there is no great prospect for increasing the Lada imports for a while.

As unpleasant as the scarcity of Ladas is to the domestic car buyers, it does not decrease the importance of the fact that the Hungarian-Soviet relations within the automotive industry are significant also from the standpoint of future development. Alongside the quantitative increase of deliveries, increasing emphasis is being placed on the qualitative aspects of the cooperation, above all, the service to the buyer. This endeavor manifests itself in the fact that, in addition to the Icarus buyer service stations already functioning in 17 large cities of the Soviet Union, the Hungarian enterprises involved have now been able to take possession of the new service center in Moscow. After my visit, I myself can state that many Hungarian enterprises could envy the elegantly furnished accommodations of the center. Representatives of Hungarian enterprises, who until now had worked under adverse conditions at various points of Moscow, can from now on work at one place, in comfortable offices of the 900 square meter Automotive Industrial Center. Their work is supported by lecture halls, modern storerooms for parts and a model service stall. However, the fairy tale-like Automotive Industrial Center by itself is not more than a stage decor--remarked a specialist from Mogurt. In the final analysis, it depends on the Hungarian suppliers how much of the often mentioned quality work they can make come true.

2473

CSO: 2500/332

USSR-GDR ECONOMIC COOPERATION EXPANDED, INTENSIFIED

East Berlin HORIZONT in German Vol 17, No 5 signed to press 30 Apr 84 pp 3-4

[Article by Prof. Dr M. Engert: "New Steps in Economic Cooperation"]

[Text] A contract was concluded recently between the GDR and the USSR for the mutual delivery of electronic data processing equipment with a total value of just under R 270 million. In 1984, 76 ES 1055 computers will go to the USSR, and the USSR will send 12 ES 1035 computers to the GDR. Both processing computers are part of the ESER, the Unified System of Electronic Computer Equipment of the CEMA countries. It was also agreed to utilize a data processing system developed and built by the Robotron combine in Soviet credit and finances. The two pieces of information throw a spotlight on the nature and extent of the mutual trade relationships between the two countries.

In the 35th years of the GDR's existence, the total volume of its trade with the USSR is reaching more than R 14 billion, which means a significant increase over previous years (1982: R 11.8 billion, 1983: about R 13.4 billion). Among the articles supplied by the GDR are steel rolling plants, equipment for petroleum processing, polygraphic machines, ships, textile machinery, equipment for the food industry and light industry. In return, the USSR supplies metallurgical and energy equipment, data processing installations, irrigation installations, petroleum, natural gas, metallurgical products, etc. The Soviet Union and the GDR are each other's foreign trade partner number one.

There can be no doubt: 35 years of the GDR are also 35 years of close cooperation with the USSR in all areas of social life. In December 1982, at the ceremony celebrating the 60th anniversary of the founding of the USSR, Erich Honecker stated: "One of the party's most important experiences has been that better solutions can be found to tasks in our own country, the broader and more effective . . . is the form of our cooperation with the USSR and other CEMA countries. We are prevailing in all our vital concerns, in close alliance with the country of Lenin." Our life is not conceivable without cooperation with the USSR and other socialist countries, without active collaboration in the socialist community of states. On 13 February 1984, Constantin Chernenko, secretary general of the Central Committee of the CPSU, stressed this cooperation at the congress of the Central Committee of the



CPSU. He said: "By developing and deepening, with all our strength, closeness and cooperation with the countries of the socialist community in all spheres, including . . . one so important as the economic sphere, we are making a great contribution to peace . . . . We turn to our brother countries and say: In the future too you will have a reliable friend and loyal ally in the Soviet Union."

#### Foreign Trade Reflects Increased Division of Labor

In steady pursuit of their aims, the GDR and the USSR have started on a new path to even closer cooperation. Basic directions in the areas of science, technology, production and investments until 1990 and in important areas until the year 2000 have already been agreed upon or discussed. Fundamental sides of economic policy for a long period have been coordinated between our countries. At this moment, these agreements are being given concrete form and life point by point in the combines, factories and sectors.

With the "Program for the Specialization and Cooperation of Production until 1990" we have a solid initial base, from which tasks in cooperation extending far into the future in the areas of the economy and science and technology and in the further interlocking of the economies of the GDR and the Soviet Union can be addressed through governmental and ministerial decrees.

The capacity of combines and factories in the GDR is being consistently shifted to meet the needs of the Soviet Union, and this is shaping their production and export structures correspondingly. At the same time the agreements offer a stable base for the constantly growing turnover in foreign trade with the USSR, the scale of which is without example in the world.

The objective of the measures could be outlined briefly as follows: even closer interlocking of scientific-technological potential in order to attain world level in important areas of technical progress. The plans include:

--joint development of modern technologies and particularly of resource-conserving processes (for example, refining metallurgy, coal gasification);

--joint reconstruction and rationalization of important production processes in both countries (for example, construction of electric motors, light industry, the food industry);

--measures to meet raw material and energy source requirements (for example, construction of the natural gas pipeline, participation in the expansion of a mining and processing combine near Krivoi Rog to supply iron ore to several CEMA countries);

--expanding existing international specializations, some of which have years of tradition (for example, in the construction of rail vehicles, shipbuilding, construction of chemical plants, equipment for rolling mills and for strip-mining).

Numerous pieces of information just from the last few months indicate how this program will be put into effect. In 1983 new joint research and development work began on coal conversion, on automating production processes using micro-electronics and robot technology, on modernizing technologies in agriculture and in the food industry.

The 33rd conference of the government parity commission for economic and scientific-technical cooperation between the GDR and the USSR of December 1983 passed a resolution for the joint development of technologies for refining in metallurgy, photochemistry and microbiology. Refrigerated warehouses and furniture factories are to be built or reconstructed jointly, similarly maintenance centers for agricultural equipment in both countries. The treaty on cooperation in increasing seed-corn for fodder plants is of importance. It is based on the use of climatically favorable locations in the USSR and the GDR making available specific harvesting equipment.

Entire branches of production in the GDR have become important suppliers to the Soviet national economy. Rail vehicle construction can be cited as an example: refrigerator cars, passenger coaches, electric locomotives for industry. In 1983, the GDR sold its 30,000th refrigerator car to the USSR. In 1985, 50 percent of the transportation of easily spoiled goods in the USSR will take place in refrigerator cars from the GDR. These are impressive numbers. The GDR has been able to keep and expand this good market only because it has constantly raised its products to the newest state of technology. An improved refrigerator car which weighs 2 tons less and has an 8-percent improvement in load capacity is already under development.

#### Striving for a Higher Level of Cooperation

The attentive observer will find several new aspects in communications about cooperation with the USSR. Concepts such as:

- joint development of resource-conserving technologies,
- cooperation on measures to conserve material
- joint development and reconstruction of production capacities, particularly in light industry, the food industry and in agriculture

come up repeatedly.

In the joint communique on the official visit of friendship by a party and state delegation from the GDR to the Soviet Union in May 1983, mention is made of //a higher level of cooperation between the national economies// [in boldface] of both countries; //closer coordination of economic policy// [in boldface] was necessary, particularly in the matter of //allround intensification of social production// [in boldface]. This new quality in the GDR's cooperation with the USSR can already be felt in many practical results. The aim is to raise the productivity of our national economies with the existing resources more quickly than the expenditure required for it. The conditions are being created so that we can continue our entire policy. It must be noted that reducing expenditures must be converted into economic growth in the sense of intensification.

The decisive change has begun in the area of science and technology. The emphasis for scientific-technological cooperation lies in the areas which are immediately determinant factors in implementing the economic strategy of the SPD and the CPSU. Directing cooperation towards intensification speeds up scientific-technological development in each of the two fraternal countries.

#### Jointly from Development to Sale

In timely fashion, the GDR and the USSR made economically lucrative new lines of production in the electronics industry and in certain parts of machinery construction (robot technology) the object of their cooperation. At the end of 1981, the two countries concluded an initial treaty on cooperation in the area of robot technology. A similar treaty in the field of microelectronics from 1977 has been extended since 1982 by a government treaty which runs until 1990.

Both countries have built up new production capacity, for which international socialist division of labor was used. This enabled them to reach new solutions quickly. For example the VEB combine Carl Zeiss in Jena, in very close cooperation with its Soviet partners--they supply components and computers--developed into an important producer of specialized microelectronic equipment. Since 1983, for example, it has been supplying in series the ZBA 20 electron beam exposure system, which projects integrated circuits onto 150-mm silicon wafers. A new form of manufacturing has been created in the GDR, microlithography. The volume of this manufacturing has increased tenfold in a few years. Today it is the product group with the highest turnover in the Zeiss combine.

Joint work was carried out in many other fields. The technology for an oxo-synthesis plant for fatty alcohols was developed in direct collaboration between factories in the GDR and the Soviet Union. The GDR manufactures the equipment, and the first plant of this type was assembled in Perm in the USSR. In addition, the GDR and the USSR have jointly developed a combined inland waterway and deepsea container ship. It has now been included in the shipbuilding program of the GDR.

A remarkable new tendency in collaboration with the USSR can be detected from these few examples: new technologies and new products are being developed jointly, in which the future user announces his technical and economic needs at the outset; the USSR's need for quite specific products and solutions, with the corresponding technical and economic parameters, is part of the work from the very beginning. At the same time, firm contractual agreements are concluded with the partner concerning who will manufacture the new product and what quantities will be exchanged through foreign trade. Complex agreements are being reached. Treaties which contain only stipulations about individual projects, for example, in research and development or in manufacturing using division of labor and are not related one to the other, lose their significance in international cooperation.

This new approach can also be seen in multilateral cooperation within CEMA. At the 36th CEMA conference in 1982, a general agreement about "cooperation in the development and the comprehensive application of microprocessor tech-

nology" was signed. It determines the following as a coherent complex: joint assignments in research and development, the coordination of suitable technical standards, the development of new materials and special equipment for microelectronics, internationally specialized manufacture of the newest products, measures for the efficient application of new microelectronic products in other branches of the economy, unified and/or joint training and further education of experts in the designated area. Cooperation therefore covers the entire process from research and development to sales, and even to the users of the appropriate products.

In the wake of our efforts to intensify, the complex network of work-sharing relationships within individual combines and in the economy as a whole is changing. The continuing decrease in specific consumption of energy and raw materials in the GDR (7 percent in 1983) affects the proportions between the use of raw material as a whole and the national economic end product. The reconstruction and rationalization of entire manufacturing lines and factories in place of extensive new construction results in a change in the need for equipment (custom-made special means of rationalization are in principal use), construction output, etc. Finally, the renewal of the range of manufacturing of 30 percent annually that we are aspiring to requires substantial economic structural changes in industry.

Guaranteeing the sale of our products in the USSR and in other fraternal countries will depend increasingly directly on a constant rise in the scientific-technological and economic level of the products we mutually exchange. Constant adaptation to the changing needs within our own economy and in the national economies of the other member nations of CEMA is needed. It is a question of adjusting to completely new demands, of offering new solutions to problems and of exchanging products of top international quality. Socialist economic integration will continue to develop intensively in this direction. Its future stability depends on a joint orientation towards the determinant scientific-technological processes and their economic exploitation through joint, flexible reaction to new developments in science, equipment and technology.

One of the areas of cooperation with the USSR with the greatest promise for the future is equipment and other products from the GDR for the foodstuffs and consumer goods program of the USSR. Far-reaching structural changes are taking place in part here. A great new demand has sprung up in the USSR. At the 32nd conference of the parity commission in mid-1983 7 treaties out of a total of 10 concerned this area. Further joint steps were initiated in this area at the 33rd conference of this commission. They concern, among other thing, the construction and/or conversion of manufacturing capacity in the USSR for enamelled dishes, household chemicals, paints and varnishes, refrigerated storage areas, shoes and increasing seed-corn for forage plants.

Treaties are currently being concluded for the modernization of more than 80 sites in the USSR. For example, the GDR is taking part in the modernization of nine factories for domestic sewing machines. One of them is the factory in Podolsk, whose capacity is to be expanded at the end of 3 years to 2

million sewing machines annually; then Podolsk will be the largest manufacturer in the world in this field. The GDR will also participate in converting the equipment in shoe factories in Leningrad and Moscow. Great opportunities for the GDR to export technical knowledge and equipment have opened up in this and other areas of light industry. This assumes growing importance for ensuring imports of vital raw materials from the USSR, for example, 6 billion m<sup>3</sup> of natural gas and 17 million tons of petroleum in 1984.

#### A Rational Solution to Problems in Energy and Raw Materials

Meeting the need for raw material and fuel is assuming an important place in the economic strategy for the 1980's. Cooperation here is following two main paths:

first: more efficient exploitation of domestic and imported material resources and capital in all member nations of CEMA,

secondly: coordinated measures for the exploitation and primary processing of raw materials and energy sources, which are still required in enormous amounts.

Here too, the member nations of CEMA are demonstrating a complex approach. They are all striving to reduce the material intensity of social production in a consistent fashion.

This end is being furthered by a series of internationally coordinated activities to develop and manufacture technologies and/or equipment to conserve energy and raw materials (including those for the exploitation of secondary raw materials), to conserve liquid sources of energy, to utilize specific types of solid fuels with a higher degree of material economy, etc.

The joint buildup of exploitation and processing capacity will play a significant part in ensuring imports of raw materials in the future. This includes the Krivoi Rog mining and processing combine, the Chmelniczki nuclear power plant, including a 75-kV crosscountry transmission line to the People's Republic of Poland and other projects. Just the factories that were completed between 1976 and 1980 are supplied the following volume of exports to the countries participating: 5.5 million tons of iron ore concentrates, 15.5 billion m<sup>3</sup> of natural gas, 120,000 tons of asbestos and 200,000 tons of cellulose.

The majority of these and other measures on cooperation have been planned taking the long-term view. In the context of the last CEMA conference in Berlin and the most recent conference of the GDR-USSR government parity commission conference at the end of 1983, several long-term plans were initiated:

--the start of work on a plan for the prospects for developing the electric energy industry within the framework of the United Energy Systems by the year 2000,

--a proposal for the prognosis for cooperation until the year 2000, using material resources rationally, i.e. economizing on materials,

--complex measures for collaboration to ensure a better food supply for the peoples of the member nations of CEMA,

--coordination of the principal directions for the development of science and technology between the GDR and the USSR until the year 2000.

The USSR and the GDR, with the other CEMA countries, are together taking the road to strengthen socialism further. Our countries are developing dynamically, as new reserves are being steadily and jointly opened up on the road to intensification. The workers of the GDR are meeting their internationalist obligations by fulfilling all their contracts with the USSR on time and with the required quality.

The economic policy of the USSR and the other socialist countries constitutes an optimistic counterplan to the dogged plan and practice of confrontation of the most aggressive imperialist circles, led by the United States, which, with an arms buildup, budget deficits, high interest policies, boycotts, credit freezes, etc., is, at the very least, seriously damaging international economic relations.

9581

CSO: 2300/465

NEW ROLE FOR CEMA UNDER DISCUSSION

Prague TVORBA in Czech 25 Apr 84 p 3

[Article by Ondrej Ler: "CEMA Facing New Objectives"]

[Text] The Council on Economic Mutual Aid was founded 35 years ago in order to assist in the development of economic cooperation among socialist states, thereby increasing the welfare of their citizens and strengthening the world socialist system. CEMA currently includes 10 socialist countries from 3 continents, and encompasses 19 percent of the world's territory, 10 percent of its population, and roughly 25 percent of worldwide national income. The living standard indicators of the CEMA countries are among the highest in the world; this is true not only for the European member countries compared with the world, but also at a regional level for the non-European CEMA countries. Extreme social differences and social uncertainties of people have been eliminated. In terms of the long-range rate of economic development, no other integrational grouping can compare with the economic community of socialist states.

The results of the past 35 years are imposing, but in no sense satisfactory. The United States of America also accounts for about 25 percent of worldwide national income, but only about 5 percent of the world population; the EEC also accounts for about 25 percent of worldwide national income with 6 percent of world population. Our labor productivity, and this is the crucial indicator, still lags behind, as this comparison indicates.

This is not only a matter of international comparisons, however. There is enough cause to be dissatisfied with the achieved level of labor productivity even without making comparisons with the world. In the future we simply cannot continue to count on the same growth rate of material resources as in the past. Yet our requirements will expand and increase at an even faster pace. The only possible solution is to be able to produce more, both qualitatively and quantitatively, from every kilogram of material. In the case of some raw materials, however, this word "more" means truly immense differences in performance.

Nor can we be satisfied with too great a dependence on capitalist countries in certain strategically important sectors and fields. This is not a question of autarky -- that would cause us more damage than good. The

peaceful coexistence of two world social systems and the resolution of current serious worldwide problems, moreover, cannot be imagined without broadly developed international contacts. It is simply a matter of assuring that the CEMA countries will not have to resist attempts at blackmail either by the "food weapon" or by promises of better access to the technology or the financial resources of the West.

The key to the resolution of both of these problems is progress in research and development and the improvement of production. The power and potential of each individual country, however, is nearly inconsequential in terms of the magnitude of the tasks involved, particularly for the smallest ones. It was for exactly this reason that the fraternal countries at their recent congresses came up with the idea to change the 1980's to a period of intensive production, research and development cooperation.

Over the past 35 years the CEMA member countries have achieved great progress in the improvement and intensification of mutual cooperation and in increasing its effectiveness. In the initial phases of the international socialist division of labor it was primarily a question of the development of mutual trade and the simple exchange of research and development findings. There followed the first attempts at coordinating plans, and development of international specialization and cooperation in production began. The building of the Druzhba pipeline linked together the energy systems of the member countries. In 1962 approval was given to the program document "Basic Principles of the International Socialist Division of Labor" and 9 years later, in 1971, to the "Comprehensive Program for the Further Intensification and Improvement of Cooperation and the Development of Socialist Economic Integration of the CEMA Member Countries." Within the community today a collective currency is functioning, long-range priority programs for cooperation are in place, a number of international organizations and joint ventures exist, and a previously agreed-upon plan has been approved of multilateral integrational measures.

Other facts may also be cited. So far the integrational process has depended primarily on intersectoral specialization, with the much more effective intrasectoral and intrafield, and specifically divisional, joint and technical specialization being only poorly developed. Moreover, specialization in processing industries has been based, in a number of instances, on already existing products which from the technical-economic viewpoint often lagged behind the state of the art. The growing needs for advanced technology have therefore had to be satisfied to an ever growing extent with imports from capitalist countries.

Or let us take license policy. There have been instances when several CEMA member countries have bought, independent of each other, the same license from the same Western firm, and then introduced the production of the pertinent product in a parallel fashion. It is true that the price of a license with the right to export would have been substantially higher, but certainly not so much higher so that there would have been no savings of foreign currency, investment, production and other costs, if the license



had been purchased by only one country, which then would produce the corresponding products for the requirements of other interested fraternal countries. Regarding scarce foreign currency resources, consuming countries could "save," or CEMA banks could offer assistance.

Other serious problems exist. At the November 1982 and the June 1983 plenums of the CPSU Central Committee it was reported that Soviet enterprises are not only provided with inadequate incentives, but are often even economically penalized for the introduction of advanced technology. Similar experiences have occurred in other CEMA countries. In addition, the very organization of international cooperation is weighed down with enough procedural complexities to disillusion even their biggest advocates. Should we therefore be surprised that socialist enterprises sometimes attempt to avoid the introduction of advanced technology, production, and research and development cooperation with partner organizations in fraternal countries and place rather too many hopes on imports of already complete Western technology, even though this route is not always the best, either technologically or economically?

The classical definition of forces of production as equal to capital assets plus labor force is quite incorrect today; the right hand side of the equation must be augmented with science. Defining the boundary between science and production is at the same time becoming even more complex. The same is true for production, research and development cooperation among the CEMA member countries. Development and production cooperation has a normal tendency to evolve into comprehensive cooperation encompassing the entire reproduction cycle, beginning with development and ending with post-production technical servicing. This process, as experiences in the development and production of the Rjad third generation computer system indicate, lead to the creation of highly evolved international research and development complexes. Their structure may consist, however, solely of fine threads of direct contacts on the ministry level, middle elements of management, and enterprises. To foster these contacts it is, however, necessary to develop the preconditions both in the individual national economic mechanisms and in the economic mechanisms of integration.

The gradual and coordinated restructuring of the production, research and development potential of the community to benefit the most modern sectors and technologies -- and we are talking about nothing less here -- cannot be conceived of without the coordination of overall economic policy. Every member of the socialist economic community must have the opportunity to understand precisely the basic long-range objectives for the resolution of the most important economic problems within the framework of the CEMA, must know what it is to produce, what it is to deliver and what it is to consume, what its research and development base will be working on, what the member countries will be developing through their own efforts, and in what areas they will attempt to seek coordinated cooperation from third countries.

These and other issues, the unresolved nature of which is slowing down the course and the intensification of international cooperation and

specialization, will be the subject of a planned economic conference among the CEMA countries at the highest level. But, as the saying goes, time waits for no man. For instance, at the recent 30th Plenum of the CEMA Committee for Research and Development Cooperation it was decided to formulate before the end of the year a proposal for a Comprehensive Program for Research and Development Progress for CEMA member countries for the next 15-20 years. On the basis of the draft of this program, a proposal will be prepared in each member country for the long-range development of research and development on a national scale. In the future it should not happen, in other words, that the same machine would be worked on simultaneously by several countries at once.

It is at roughly this level that the most important issues lie in the economic organization of the socialist countries for the 1980's. The way in which the community of CEMA countries comes to grips with them will depend on the economic development of each of them individually.

9276

CSO: 2400/317

CZECHOSLOVAKIA

LABOR MINISTER REITERATES NEED FOR IMPROVED WAGE SYSTEM

Prague RUDE PRAVO in Czech 16 Apr 84 p 3

[Article by Miloslav Boda, minister of labor and social affairs of the CSSR: "According to the Amount and Quality of Work--Comments on the Comprehensive Program for Improving Economic Efficiency of the Wage System"]

[Text] An essential prerequisite for the intensive development of our national economy is the consistently enforced principle of remuneration according to the amount and quality of work performed. The current situation and the future needs of our society demand that the wage of each individual depend directly on his achievements and that it express his personal contribution to the development of our economy.

The CPCZ Central Committee, our government and the ROH [Revolutionary Trade Union Movement] are paying special attention to the issue of higher economic efficiency of the wage system because in remuneration they correctly see the key to ensure the vital objectives and tasks stipulated by our party's 16th Congress.

Along with their assessment of positive results achieved by our work teams and individuals, our party, state and trade union agencies and organizations have expressed a number of critical objections to the system of remuneration, particularly to the inadequately applied principle of merit and to more distinctive wage differentiation. In this conjunction the statement made at the party's 16th Congress by the general secretary of the CPCZ Central Committee, Comrade Gustav Husak, to the effect that rewards for work must be tied as closely as possible to the growth of labor productivity, efficiency good stewardship and quality of production and that egalitarian tendencies and various false "social" attitudes to the system of rewards must be overcome with more determination, was fully confirmed.

Egalitarianism Is Not Conducive to Progress in Production

In a discussion of these issues the premier, Comrade Lubomir Strougal, spoke about the danger in equalizing the remuneration system. In his words, everybody shares, as a rule, in the growth of wages and salaries without regard to the share of the individuals in the achievements.

In many places of work the social attitude to wages has not been overcome; the achieved wage level is often regarded as permanent, even if personal tasks and tasks of the organization have not been fulfilled. Some economic managers have failed to observe the principle which permits to raise wages and salaries only of those employees whose above-average performance contributes to an overall improvement of quality and efficiency. However, inadequately differentiated wages weaken the interest of individuals and work teams in higher achievements.

A thorough analysis has confirmed that the causes of inadequate differentiation exist primarily right in the organizations. For instance, most workers are classified in four or nine class categories and, therefore, the level of their income hardly deviates from the average. This fully applies to the standardization of the wages of technical and managerial employees, including foremen.

The plenum of the party's Central Committee also called attention to inadequate differentiation of wages. The report presented by the presidium of the CPCZ Central Committee stressed that cash earnings of our population are now and will be in the future the main source of private consumption. Last year, for example, they rose approximately 3 percent to a total of almost Kcs 400 billion; the average wage in our national economy (not including the JZD's [unified agricultural cooperatives]) amounted to Kcs 2,788.

Nevertheless, the objective is to use wages payable more efficiently, particularly to motivate individuals and work teams more effectively to become interested in the quality of their work and to stimulate them to greater efficiency and higher social labor productivity. More is demanded in this area from managers, many of whom are not consistent in the performance of their duties, by thoroughly enforcing material and moral incentives of work and also by penalizing inefficient work of inferior quality. Our society has bestowed great trust upon them and granted them the necessary authority. It has placed into their hands the necessary tools and with the full support of our party and trade union agencies it rightfully demands that they systematically enforce wage differentiation according to actual achievements of labor.

Our society expects them to oppose with far more determination obsolete egalitarianism and false solidarity, to make decisions based on their expertise, and thus to teach people good work and discipline. On principle, efforts and accomplishments are what count, not presence at work. Therefore, workers and work teams that demonstrate steady achievements, above-average accomplishments and better performance in the production of socially useful goods must receive greater advantages. Only this approach is in full agreement with the genuine interests of our working class, with socialist principles of rewards and socialist ethics; it conforms with the interests and needs of our entire society.

The CPCZ Central Committee expressed its appreciation for the efforts of the ROH aimed at more active assistance on the part of the work teams to the managers in searching for ways to improve the use of work time, to root out chronic abuses and to expand further the work team form of labor organization and rewards. Comrade Gustav Husak emphasized the lasting validity of the idea that wages may be raised only on the basis of higher labor productivity

and a lower number of employees. That is a vital prerequisite for balanced relations between the creation of national income and wages payable and, furthermore, for socially and economically justified proportions between incomes and expenditures of the population.

#### Tasks of the First Stage in the Process of Restructuring the Wage System

The comprehensive program for improving economic efficiency of the wage system, which is being implemented gradually, in two stages, represents an integral part of the Set of Measures for Improving the Planned Management System. In the first stage appropriate agencies and organizations have been focusing primarily on improving and expanding the basis of standards and on raising the efficiency of incentive wages, i.e., on every type of bonuses and rewards. The results, however, still vary considerably and fail to correspond in every instance to the potential of an intensive development of VHS's [economic production units] or the needs of our economy as a whole.

We see the main drawback in the fact that the base of standards has not yet been turned into an efficient mechanism for the growth of economic efficiency and effectiveness. Moreover, it does not provide a sufficiently reliable yardstick for the results of work performed by individual workers and work teams. It is undeniable that even objectivized norms often lack the required quality. Many of them have not been determined by dependable analytical methods.

The shortcomings in the determination of standards for labor consumption and egalitarian approaches in the system of rewards are negatively reflected in wage differentiation. The differences in the level of wages of the above-average, average and below-average workers are therefore insufficient and negatively affect the initiative and morale of labor.

Despite partial improvements we cannot feel satisfied even with the efficiency of wage forms. For example, the demands made when determining the conditions for granting bonuses and rewards are still overly modest. The objective is, above all, their closer conformity with the tasks and achievements of the organization; their achievement demands higher outputs and better quality--in brief, [remuneration and bonuses] must be really earned. In many organizations the amount of bonuses and rewards is differentiated more according to formal attitudes (for instance, according to class categories) than according to actual results and difficulty of the tasks. Approved incentive methods, such as, for example, contract wages and their various modifications, are applied only to a limited extent.

Many economic managers often lack the courage to enforce new, more efficient wage forms. In some economic organizations material incentives are also weakened by speculative specifications and unjustified changes of the plans. Many organizations still fail to take full advantage of material incentives to cut down their personnel. Shortcomings in the granting of remuneration are remedied slowly because of inadequate control.

A serious problem stems from breakdowns in supplier-consumer relations which are hampering the continuous process of production and nipping in the bud

labor activism and initiative. Overall outputs in many places of work are further cut by the low standard of the management and consequent inferior production and poor labor discipline.

#### Method of the Future--Work Team Khozrashchet

We have been testing and gradually expanding work team forms of labor organization and remuneration in our country since 1982. Work team khozrashchet promises to become the method of the future for promoting the interest of individuals and work teams in final achievements of their work.

Naturally, the work team form of labor organization and rewards demands that the necessary technical-organizational production and economic preconditions be created and in particular that khozrashchet relations be not simply replaced by "official" agreements concerning the tasks of production. There must be absolute order in the standards of consumption of raw materials, materials and time, in material and technical supplies for production, and in supplier-consumer relations. Collective earnings are then affected not only by the amount and quality of goods but also by savings of production costs, work time, etc. The introduction of this new form of labor organization and rewards still has to contend with problems and in some cases with formalism and oversimplification. Experience and data from the experiment with work team forms thus far indicate that this is a method we should follow in the next stage. In no instance does it mean that a "hothouse atmosphere" should be created for work teams; on the contrary, we must act vigorously to prevent the "childhood diseases" that have thus far dogged this method of labor organization and the remuneration system. Of course, this cannot be done without the efficient aid of our party and trade union agencies and organizations.

#### An Important Impulse--The Second Stage

The challenges of the foreign and domestic conditions under which we are implementing our developmental plans compel us to continue to improve the wage system and to step up its incentive effect on the efficiency of labor. An important impulse for that is the gradual implementation of the second stage of the program for greater economic efficiency of the wage system.

After thorough and comprehensive preparations and after the fulfillment of the stipulated prerequisites, the organizations of production may begin to implement the second stage no sooner than on 1 January 1985. We assume that it will be introduced in the main branches of our national economy within 2 to 3 years. Here applies the principle for all VJ's and enterprises that in order to implement new wage conditions, every organization must first of all meet the following conditions:

- to expand, improve and implement the standards of labor consumption as well as other technical economic norms, and to focus incentive wage forms primarily on qualitative tasks;

- to implement consistently the economic tasks from the previous year, to observe mandatory ceilings for wages payable and to create realistic preconditions for the fulfillment of the plan for the current year;

- to improve the enterprise subdivision management and khozrashchet;
- to ensure the growth of average wages by means of counterplanning, especially by higher labor productivity, and thus to prevent any increase in labor costs per unit of production;
- to ensure thorough wage-technical preparation, in particular to avoid any weakening of the efficiency of the incentive wage factor, and to guarantee that it amounts to at least 25 percent of the wage tariff;
- to apply new wage tariffs within the mandatory margins of wages payable, without subsidies from central sources and without any other financial concessions.

Numerous measures of the program for the second stage are directly related to improved wage tariffs. For that reason they will be amended with listings of qualifications of workers and technical and managerial employees, so that they conform with the current standard of technology and organization of labor. They will reflect the changes stemming from the new educational and training system, and thus more auspicious conditions will be created for the placement of graduates of 4-year study courses with diploma examinations and of graduates of secondary vocational schools for workers' trades.

#### Who and in Which Class Category

A more fundamental change is anticipated in the listing of qualifications of technical and managerial employees because for some time wage practices have deviated from the regulations in force. Jobs in enterprises are often inefficiently bunched together or employees are classified in jobs other than those which they actually perform. Excessive leniency is shown when approving exemption from qualification, particularly in the case of young employees. The new listings will specify the potential for differentiation in evaluating and ratings jobs in class categories. Description of jobs will stipulate the gradation of requirements, complexity and responsibility for individual jobs. Outstanding accomplishments in the work of creative technicians, foremen and specialists will get higher rating. Two class categories will be stipulated for every job. The enterprise will have the right to promote [an employee] to a higher category. The classification of economic managers has been completely changed. Their classification will be notably affected by the technical and technological demands of production, the extent of capital assets, the amount of exports, the use of shift work, territorial ramifications, etc. The application of the new listing of job qualifications is incumbent first of all on the rationalization of organizational structures, i.e., on the reduction of personnel according to the stipulations of the austerity program for the Seventh 5-Year Plan.

The adjustment of the wage scale of workers and technical and managerial employees represents an essential measure. The rates applied thus far were set about 10 years ago. Since then they have not been basically changed, although during those years earnings in general rose 25 percent. Consequently, the share of the rate in the total wage has declined and no longer fulfills its incentive role. Thus, wage rates of workers and technical and managerial employees will increase on the average by 15-18 percent.

Workers' wage rates are graduated according to overall working and social conditions of labor. Their increase is differentiated for individual branches and sectors. It is steeper in branches operating under more difficult working conditions, in sectors with the most advanced operations and technology, and in sectors which supply food for our people and protect the environment. Higher wage rates may be applied in cases where the workers are employed in continuous operations and line production, servicing several units of machinery and in places where labor organization and workers' performance are determined according to the most precise standards.

The basically unified scale of wage rates applies to technical and managerial employees in branches of material production. The scale will be raised on the average by 10 percent for employees in the pre-production stages, operational technicians and workers in deep pit mines. The rates may be raised by an additional 10 to 30 percent for foremen in complex technical operations and in especially difficult conditions. For the technical and managerial employees firm wage rates will apply rather than the rates with latitude used thus far; in addition, personal rating will be accorded to them on the basis of mandatory regulations with regard to the long-term achievements of each individual's work.

The conditions and rates of premiums on wages have not been fundamentally changed; the possibilities of their combination and simplified calculation are now under study.

We presume that wage rates should amount to about 65-70 percent of the earnings. Incentive wage factors should amount to 20-25 percent and personal assessment to the remaining 10 percent. Naturally, this rule cannot be mechanically applied in all organizations, and much less so in all workers' categories. For instance, the rule applies for technical and managerial employees that the greater their authority and consequently their responsibility for the results of work, the higher the share of their incentive wage factor according to the standard of the fulfillment of their assigned tasks. This share may represent even more than 50 percent of the total wages of some managers.

As compared with the current situation, the wage rates in the new scales will be less graduated. This solution has a number of reasons, the most important of them being the fact that the gap between job requirements and educational level is steadily narrowing down, or that they are partly balanced by the disproportionally greater physical exertion, monotony and general unattractiveness of certain jobs.

#### Better Rewards for Honest Work

The measures promoting the implementation of the program for higher economic efficiency of the wage system must not lead to erroneous ideas about wage growth that is not substantiated by achievements of labor and good stewardship; on the contrary, every wage increase must be based on higher efficiency, quality and effectiveness. Under the current circumstances this presupposes a fundamental improvement of managing and organizational operations as well as of every individual's performance. The whole process must include experienced



workers, innovators, improvers, members of socialist labor teams--everybody who understands that all those measures are aimed at the same goal: to give better rewards for honest, decent and efficient work, and not to work for the benefit of persons who are "taking a ride."

Working conditions must be discussed beforehand with every individual worker and the prerequisites for their improvement comprehensively assessed. By the same token, changes which the implementation of the new principles will bring must be discussed.

The overall situation of preparations for the implementation of the program's second stage will be assessed with all responsibility and comprehensively by the party and trade union organizations on the basis of materials carefully prepared by economic agencies. Their duty is to ensure a unified procedure for our political and economic management stemming from the principles approved by the presidium of the CPCZ Central Committee, to develop a far-reaching mass political program for correct interpretation of all measures, to create an auspicious and challenging political climate in the workplaces, and to oversee systematically the fulfillment of the tasks in this area.

We are convinced that the comprehensive program for improving the economic efficiency of the wage system is meeting with the full understanding and support of all honest and conscientious employees who completely identify with our party's policy aimed at removing all obstacles to remuneration according to each person's merit.

The highest duty of the communists is to appraise every measure in agreement with our societywide interests and needs and to see the problems of material incentives in broader national economic correlations determined by the strategic policy of the party's 16th Congress. When implementing the program, in every place of work we must shut once and for all every "escape hatch" that makes it possible to pay wages and bonuses unearned by honest and respectable work.

If we intend to advance, the law of allotment according to one's work must become the general, decisive yardstick in judging the contribution to our society and the justification of every individual's claim to wages.

9004  
CSO: 2400/319

DECREE ON ORDER, DELIVERY TERMS TO INCREASE ECONOMIC FLEXIBILITY

Text of Decree

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German  
Part I No 2, 26 Jan 84 pp 9-11

["Decree on Order and Delivery Terms for Raw and Other Materials and Supplier Components--Order and Delivery Terms Decree," signed by W. Krolikowski, first deputy chairman, Council of Ministers on 5 Jan 84]

[Text of Decree] The effective utilization of all factors of intensification and the foreign trade situation require a quick response to changes in demand. The following is therefore ordered to improve the flexibility of the national economy by cutting order and delivery periods for raw and other materials as well as supplier components:

Article 1

Scope

(1) This decree applies to relations between economic units as per Article 2 and enterprises as per Article 3 of the Contract Law of 25 March 1982 (GBI I No 14 p 293) with regard to orders and deliveries of raw and other materials and supplier components marked in the balance register with the letter "R."

(2) This decree does not apply to delivery relations between foreign trade enterprises and export enterprises nor to imported products in the chain of cooperation including the final purchaser. It does not apply either to deliveries by enterprises of the trade in production equipment nor for relations in deliveries to the consumer goods trade.

(3) The provisions of this decree apply to the economic safeguards for national defense unless otherwise provided in the Delivery Decree (LVO) of 15 October 1981 (GBI I No 31 p 357) or, at the request of the customers or their superordinated organs, in coordination contracts or performance contracts.

General Order and Delivery Terms

Article 2

(1) When drafting the annual plans and balances as well as enterprise plans, customers for raw and other materials and supplier components must hand over

their orders for the following plan year to the suppliers no later than 1 month after the issue of the state targets. This does not apply if legal instructions provide for special prerequisites for handing over an order, and these are not yet present at the point in time mentioned. Orders for deliveries for projects of the plan science and technology must be placed on the basis of the confirmed draft plan science and technology of the combines.

(2) Estimates of requirements on the basis of orders and orders as such may not be requested before the end of the period as per Paragraph 1.

(3) The order must be placed in the standard assortment as per the product and performance nomenclature (ELN) and subdivided into quarters. A more detailed subdivision of the standard sortiment may be agreed between the delivery combine and the customer.

(4) The order must include the defined extent of the requirements for priority projects and assignments as per Article 26 of the contract law.

### Article 3

(1) Suppliers are obligated to conclude with the customers annual contracts for the standardized assortment as per Article 2 Paragraph 3. The contract conclusion must proceed for

- a) All deliveries with the exception of those listed in letter b, as soon as it is possible to adequately determine the contract terms for the annual contract for the standard assortment on the basis of state assignments and the other decisions and conditions listed in Article 23 Paragraph 1 of the contract law, but no later than 1 month after the handing over of the state plan targets;
- b) Deliveries for priority projects and assignments as per Article 26 of the contract law within 2 months from the handing over of the state assignments or, if the order is placed according to the point of time as per Article 2 Paragraph 1, no later than 1 month after receipt of the order.

(2) A fully itemized delivery contract must be concluded with regard to requirements for priority projects and assignments as per Article 26 of the contract law, if the customer so requests and the prerequisites for contract conclusion, especially balance decisions, are present as required in legal regulations.

(3) A fully itemized delivery contract may also be concluded if the demand arises in the course of the plan year.

(4) In the instances of Paragraphs 2 and 3, the presence of the annual order is no prior condition for the conclusion of the fully itemized delivery contract.

### Article 4

(1) The annual contract for the standard assortment must be itemized by assortment and term of delivery. The customer must therefore hand to the

supplier an itemization offer no later than 3 months before the beginning of the respective delivery quarter. The itemization offer for the first quarter may be handed over together with the annual order.

(2) The supplier is obligated to accept the itemization offer no later than 2 months before the beginning of the delivery quarter or to submit a counter offer. The itemization offer is deemed accepted if no counter offer has been submitted by the end of the period mentioned.

(3) The customer is obligated to accept the counter offer within 2 weeks from receipt or to request a decision from the competent organs.

(4) The provisions of Paragraphs 1-3 apply to the first quarter regardless whether the annual contract had been concluded.

#### Article 5

(1) The customer may hand over to the supplier an itemization for the entire plan year if he is able with sufficient certainty to determine his nationally warrantable demand in terms of assortment and period of performance at the point of time arising from Article 2 Paragraph 1. He is entitled to amend the itemization no later than 4 months before the beginning of the respective delivery quarter. If no amendment is made within the period mentioned, the itemization handed over for the plan year is deemed to apply.

(2) The itemization offer is accepted for the respective quarter. Paragraphs 2 and 3 of Article 4 apply *mutatis mutandi*.

#### Article 6

##### Price Surcharge

(1) In accordance with the legal regulations on the calculation for the formation of industrial prices, the partners may agree a price surcharge if the customer exceeds the periods as per Article 4 Paragraph 1 or Article 5 Paragraph 1 or another itemization period stipulated in a legal instruction, and the supplier accepts the itemization offer.

(2) A price surcharge may be agreed also if the offer for the conclusion of a fully itemized contract as per Article 3 Paragraphs 2 and 3 or for the conclusion of a quarterly contract is accepted, although it was handed over later than 3 months before the beginning of the delivery quarter or after the lapse of an order period stipulated in a legal instruction.

(3) The provisions of Paragraphs 1 and 2 also apply to priority requirements as per Article 26 of the contract law and to services to customers as per Article 3 of the delivery decree (LVO).

(4) The agreed price surcharge may not exceed 12 percent of the legal price.

## Special Order and Delivery Terms

### Article 7

- (1) If required due to the specific features of the products, the general director of the balancing or balance assigned combine may decide that fully itemized quarterly contracts on the products of a balance item are to be concluded instead of annual contracts. The decision requires the consent of the customers.
- (2) If the conclusion of fully itemized quarterly contracts has been provided for as per Paragraph 1, the periods as per Article 4 Paragraphs 1-3. are deemed the periods for orders and contract conclusion.

### Article 8

Whenever reproduction conditions so require, other periods may be determined for the placement of the order, contract conclusion and itemization as well as other contract periods than are stipulated in this decree. These exceptions may be established only by legal instructions or coordination contracts of combines.

## Issue of Supply Orders

### Article 9

- (1) Order and contract conclusion periods must be established by supply orders or other special legal instructions if reproduction conditions require regulations diverging from Articles 2-5 for the products of an industry, or if the products are of particular importance for the planned proportional development of the national economy.
- (2) The minister responsible for balancing issues supply orders. Supply orders and other special legal instructions deciding order and contract conclusion periods must be coordinated with the ministers and managers of other central state organs, who are superordinated to the main consumers; they also need the approval of the Minister for Materials Management, the chairman of the State Planning Commission and the chairman of the State Contract Court. For customers as per Article 3 Paragraphs 1 and 2 of the supply decree (LVO) these legal instructions are applicable only in the conditions defined in Article 4 Paragraph 3 of the supply decree (LVO).

### Article 10

In order to precisely define the legal instructions on planning and balancing and consonant with the various reproduction conditions, special provisions must be included in supply orders, concerning

1. The cooperation of combines and enterprises in the ascertainment of requirements;
2. The coordination of yield and demand between customers and suppliers in the preparation and drafting of plan drafts;

3. The conduct of balance coordinations;
4. The defence of the requirements submitted by the customers;
5. The dates for placing the order, for contract conclusion and itemization as well as the nomenclature of the standard assortment as per Article 2 Paragraph 3;
6. The periods for which contracts are to be concluded;
7. Ensuring the nationally justified ranking and sequence with regard to meeting the demand;
8. The amount of price surcharges for exceeding order and itemization periods, and
9. Direct procurement or procurement via the trade in capital equipment including regulations on minimum order quantities.

#### Article 11

##### Conclusion of Coordination Contracts

(1) If reproduction conditions require provisions differing from the order and supply terms as per Articles 2-5, the appropriate agreements may be recorded in the coordination contracts of the combines. Based on the period required for the preparation and execution of the production and delivery and to ensure the most advantageous lot sizes and keeping in mind the need for flexible response in delivery relations, coordination contracts may establish other periods than those listed in Articles 2-5 for the placement of the order, the contract conclusion and itemization as well as other contract periods and another nomenclature of the standard assortment.

(2) Taking into consideration the aim of guaranteeing short order and delivery periods, coordination contracts may include agreements on

1. The conclusion of fully and partially itemized delivery contracts;
2. Tolerances for the itemization;
3. The contractual fixing of suddenly arising needs;
4. The amount of the price surcharge for any excess of the order and itemization period settled in this decree or other legal instructions;
5. The use of penalties for the nonobservance of the dates for the placement of the order, the contract conclusion and itemization as well as
6. Other rights and duties relating to the rational organization of delivery relations.

## Article 12

### Penalties

In the case of the nonfulfillment of the standard itemized annual contract, a contract penalty must be paid as per Article 104 of the contract law. The provisions of the contract law apply with regard to the legal consequences of infringements of specified delivery obligations.

## Article 13

### Transition and Concluding Provisions

(1) For customary products this decree takes effect on 1 February 1984, for components tied to blueprints on 1 January 1985. It applies to all orders placed for the respective products after the dates mentioned.

(2) Losing effect on 1 February 1984 is the Implementing Regulation of 21 July 1982 to the Contract Law - Stipulated Periods for the Conclusion of Performance Contracts - (GBI I No 29 p 531).

### Interpretation of Decree

East Berlin WIRTSCHAFTSRECHT in German Vol 15 No 2, 1984 pp 32-35

[Article by K.D. Schwank, senior justice at the Central Contract Court and head of Industry Section and Dr E. Suess, senior justice at the Central Contract Court and head of Legislation Section: "About the Decree on Order and Delivery Terms"]

[Text] On 5 January 1984 the Council of Ministers enacted a new legal instruction that is of considerable significance for the continuing successful development of our national economy.<sup>1</sup> We may state quite definitely that, in terms of the contract law, this is the most important regulation dealing with cooperative law enacted in recent years. It is the main concern of the Order and Delivery VO [decree] in the interest of the greater flexibility of the socialist planned economy to cut order periods for raw and other materials and supplier components. In this review,<sup>2</sup> M. Flegel explained in great detail the necessity for the enactment of the decree and its general concerns. To provide order and delivery terms legally securing the necessary greater flexibility in the organization and implementation of business contracts, it was imperative to draft and lay down basically new legal problem solutions, in particular regarding the status and substance of the annual contract on supplier components for material-technical supplies.

With regard to the inducement of orders and the conclusion of contracts, the decree calls for the abandonment of earlier usage and requires the responsible officials, especially in enterprises and combines, to alter their mode of thought. The enforcement of this new legal instruction may not be left to haphazard evolution. Management decisions must therefore be made in enterprises and combines to ensure the observance of the provisions of the decree. The

seminars so far conducted and the discussions with enterprises and combines indicated the need in detail to comment the decree and provide suggestions for its application. In this article we have processed the results of these discussions; obviously no practical experiences are as yet available about the application of the decree.

#### On the Scope

Article 1 Paragraph 1 shows that the decree applies to the placement of orders and the delivery of raw and other materials and supplier components marked by the letter "R" in the balance register. "R" is the designation of the balance type "raw and other material balances and balances for supplier components." The decree therefore does not apply to the other balance types listed in Article 2 DB/Balancing VO<sup>2</sup> (energy balances, equipment balances, industrial plant balances and consumer goods balances); applicable to the placement of orders for performances classified with these latter balance types and to the respective contract conclusion are the special legal instructions<sup>4</sup> or the <sup>5</sup> general instructions of the contract law and its DVO [implementing decree].

If the balance register shows only the overall heading, the "R" is deemed to apply to all subordinated items variously arising from the product and performance nomenclature (ELN). If, in exceptional instances, a subheading bears a marking different from that of the overall heading, the mark of the subheading stands.

The decree does not apply to relations between foreign trade enterprises and export enterprises. In this instance export commission contracts or export contracts must be concluded as per the third DVO to the VG [contract law]. However, the decree does apply to relations between export enterprises and their component suppliers. With respect to imports, the decree does not apply in the chain of cooperation to the final customer. Defined as the final customer is the enterprise that uses the imported product, further processes it, consumes it or sells it to consumers who are not subject to the scope of the VG. Wholesale trade enterprises including the trade in capital equipment are in principle deemed final customers. We omit any explanation of the exceptions from this last named principle, because the decree does not apply to the relations of the capital equipment trade with its customers either. If, therefore, a capital equipment trade enterprise is stipulated as the import enterprise in the chain of cooperation, we may assume that the decree is normally not applicable.

The general status of the capital equipment trade in the reproduction process represents the essential reason for the provision in Article 1 Paragraph 2 that the decree does not apply to deliveries by enterprises of the capital equipment trade. The assignment of the capital equipment trade includes its duty to safeguard the satisfaction of demand independent of order periods. However, the decree does apply to the relations between the capital equipment trade and its component suppliers. Here problems may arise due to the fact that the customers are not tied to any periods but the capital goods trade is so tied with regard to its suppliers. Still, let us point out that the capital goods trade was unable in the past also to exclusively justify its requirements by orders in hand but needed to rely on its own demand estimates, results of balance coordinations, and so on.



The time schedule as per Article 13 distinguishes products tied to blueprints from customary trade products. There is no legal definition of these concepts. We should assume that products tied to blueprints are involved if manufacture proceeds on the basis of a design (drawing) of the customer or a drawing made specially for the customer, so that the special wishes of the customer may be met. We should assume, vice versa, that all other products are customary trade products. For customary trade products the decree took effect on 1 February 1984; for products tied to blueprints it will not take effect until 1 January 1985, so as to allow enterprises more time to provide the necessary prerequisites for gearing up to the changed order and delivery terms for these products, too. As the decree applies to all orders placed after the dates mentioned, all contracts already concluded for 1984 are not affected thereby, nor are they subject to itemization. If orders for 1984 are placed after 1 February 1984, the partners may conclude a fully itemized contract as per Article 3 Paragraph 3, in other words a contract precisely defined with respect to assortment and performance dates. In these cases the possibility of the use of price surcharges as per Article 6 already exists. The customer cannot even argue that he was unable to take the price surcharges into account in his financial planning.

#### Placement of Orders

As per Article 2 Paragraph 1, orders for the following plan year must be placed no later than 1 month after issue of the state assignments. The customers are enabled thereby, on the basis of state assignments and, therefore, with more precise knowledge of their needs, to place the order. At the same time the decree does not preclude the customer from ordering before receipt of the state assignments if he believes capable of adequately determining his requirements. However, the supplier may not urge the customer to place his orders before the end of the proper period (Article 2 Paragraph 2). In this context we must also indicate that order dates are not exclusionary dates, in other words, the supplier cannot refuse to conclude the contract merely by arguing that the order date was not observed. In fact it should be assumed that customers endeavor to observe the proper dates, if for no other reason than that of notifying the supplier of their needs in good time.

Of importance mainly for investment implementation is the provision of Article 2 Paragraph 1 that the order period is invalid if special prerequisites for the placement of orders are settled in legal instructions, and these prerequisites have not yet been met by the stipulated date. When project-related orders are involved (pumps, for example), the decision in principle must be to hand. In this context it should be noted that the decree does not affect the duty for requesting and handing over binding offers within the framework of investment preparation. The special legal instructions for investments apply to the handing over of bids. Suppliers, therefore, may not refuse the handing over of bids by pointing out that the order period has not yet lapsed, and that they must first consider how their capacity is being utilized. Once the supplier has handed over a bid, he must stick to it and may not diverge from it in the framework of the confirmation of the itemization as per Article 5 Paragraph 2.

Article 2 Paragraph 1 also includes a special provision for orders with respect to deliveries for projects of the plan science and technology. The confirmed draft plan science and technology of the combines is the basis of orders for scientific-technological tasks. It is impossible, therefore, to decide on a specific calendar day as the date for the placement of the orders. According to the provision of Order No 2 of 29 January 1982 on Supplementing the Order of Planning of the GDR National Economy 1981-1985,<sup>6</sup> the final date for the draft plans science and technology precedes the date for the handing over of the assignments for the other plan parts (see Article 7 Paragraph 4 and Article 8 of Order No 2). The decree thus responds to the main concern of Order No 2--to give preference to the planning of scientific-technological tasks as against other plan parts.

Of crucial importance for the more flexible organization of business contracts is the new solution created by the provision of Article 2 Paragraph 3, according to which annual orders are no longer to be fully itemized but placed in the standard assortment as per the ELN [product and performance nomenclature]. The customer, therefore, does not yet commit himself to the exact itemization of the order. The supplier, on the other hand, will be quite satisfied, at least normally, with standard assortment orders for the preparation of his production. If, in individual cases, the standard assortment is not adequate for production preparation, the delivery combine may agree with the fund holder on a more sophisticated subdivision of the standard assortment (note: this agreement, therefore, is not concluded between enterprises). The agreement on a more sophisticated subdivision proceeds by way of coordination contracts as per Article 11.

#### The Annual Contract

Annual contracts in standard assortments must be concluded consonant with the annual orders. This annual contract represents a performance contract; initially this involves the duty to itemize the agreed standard assortment.

The annual contract must specify the quantity in the standard assortment, subdivided by quarters. Agreements on quality and price are to be concluded only if this is possible on the basis of the standard assortment. It follows that failure to arrive at the contract as per Article 28 Paragraph 4 VG [contract law] may not be deduced from the lack of agreement on quality and price.

Article 3 allows two exemptions from the duty to conclude annual contracts in the standard assortment and subsequently itemize them. If the customer is able exactly to define his requirements for priority projects and assignments at the time the order is placed, and if all other prerequisites for contract conclusion are present, he may request the conclusion of a fully itemized delivery contract. This is the unilateral right of the customer; the supplier is not entitled to make a similar request.

If the need only arises in the course of the plan year and backed by the appropriate plan decisions, the partners must come to an agreement whether to conclude a standard or fully itemized delivery contract. Consequently it is possible for a dispute to arise between the partners. At this point it should

be remembered that a need featuring an increase in the demand earmarked already by a standard annual contract results in the corresponding increase in the quantity contracted in the annual contract. If no standard annual contract yet exists, a fully itemized contract should be concluded. Decisive for the application of Article 3 Paragraph 3 should be the date at which the supplier was informed of the need.

Fully itemized annual contracts concluded as per Article 3 Paragraph 2 are not subject to itemization or itemization amendment as per Article 5 Paragraph 1. If the itemization is to be amended, it is necessary to amend the contract as per Article 78 VG, and Articles 79 and 80 VG apply to the legal consequences.

#### Itemization of the Annual Contract

Consonant with the aim of operational planning and balancing, "in the process of plan implementation to quickly respond to changes in the planned demand and the conditions basic to the plan,"<sup>7</sup> the products to be delivered and the delivery dates are precisely defined only by quarterly itemization. This serves to decisively meet the concern pursued by the enactment of the decree, definitely to cut order periods for raw and other materials and supplier components.

Itemization proceeds by offer and acceptance. The partners may agree that the customer may itemize by a unilateral statement, mandatory on the contract relationship. The specification dates are not exclusionary dates. The supplier is therefore not entitled to reject a specification offer by claiming that the specification date was exceeded. However, he may request agreement to a price surcharge as per Article 6.

The provision on the negotiation of the itemization agreement (Article 4) assumes that the supplier may respond to a contract-appropriate itemization offer only by acceptance or a counter offer; acceptance may be tacit. According to the concept behind the provision, an itemization offer may be rejected only if the itemization is not classifiable with the standard assortment or exceeds the agreed quarterly volume. Consequently, a supplier's rejection of an itemization offer consonant with the annual contract represents a breach of the annual contract. Nevertheless, though, an itemization agreement does not take effect despite the rejection by the supplier and consonant with the offer by the customer; instead a settlement or decision on the dispute needs to take place. It is crucial for the efficacy of the decree that suppliers and customers should responsibly observe the duties and rights arising from the regulation, because only a relatively brief period of time is available for settling disputes. In its verdicts, the State Contract Court must therefore vigorously oppose the rejection of offers or the submission of counter orders not consonant with the annual contract. Either type of action mentioned represents delays or refusals of contract conclusion in the meaning of Article 109 Paragraph 1 No 1 VG and may result in the imposition of an economic penalty.

The role of the annual contract as a binding framework for itemization is also reflected in the consequences arising if the itemization of the agreed quarterly volume fails for reasons due to the customer or supplier. If the customer

does not itemize the quarterly quantity in accordance with the agreed delivery volume, his claim to delivery is not abandoned thereby; in other words in such a case the customer could post facto itemize the non-itemized quantity of the preceding quarter in one of the subsequent quarters, provided plan or balancing decisions do not provide otherwise. However, with respect to the delayed part of the itemization, the supplier's duty to accept the specification offer would depend on his ability to comply, taking into account his delivery obligations toward other customers. Admittedly, in consideration of priorities or other national aspects, other solutions may possibly be called for. If a specification offer is accepted regarding a quantity not itemized by the customer in the preceding quarter, the annual contract is deemed to have been amended, and the customer is obligated to compensate the costs that had arisen for the supplier as per Article 79 VG.

If, on the other hand, the supplier does not accept the itemization offer of the customer to the extent arising from the annual contract or no agreement is achieved on a counter offer, the customer is entitled and, in the national interest indeed obligated, to involve the competent organs or appeal to the State Contract Court. If the dispute is not settled for the respective quarter, the customer does not forfeit the supply claim arising from the annual contract. Within the framework of plan and balance decisions, the supplier is definitely obligated to accept an itemization offer for one of the subsequent quarters, that includes the quantity not itemized on the delivery side. If this involves subsequent itemization agreements, the annual contract is again deemed to have been amended, and in this instance it is the supplier who is liable for compensation.

All the cases of neglect of the itemization duty represent breaches of the annual contract. Insofar as the other legally determined prerequisites are present, these breaches must be compensated as per Article 105 Paragraph 3 VG.

#### Itemization for the Plan Year

As per Article 5 Paragraph 1, the customer may hand the supplier an itemization by assortment and delivery dates for the entire plan year if he is able with sufficient certainty to determine his requirements at the date prescribed for placing the order in the standard assortment as per Article 2 Paragraph 1. The supplier, though, may not request such a fully itemized annual order.

With the exception of the cases settled in Article 3 Paragraphs 2 and 3, the fully itemized annual order as per Article 5 Paragraph 1 does not lead to the conclusion of a fully itemized annual contract. Even if the supplier explicitly confirms this order, a binding itemized contract initially arises only for the first quarter. With regard to the other quarter, the customer is still entitled to amend his itemization up to 3 months before the beginning of the respective quarter. Nor is the supplier subject to a binding contract with respect to the annual itemization; within the period as per Article 4 Paragraph 2 he may therefore respond to the continuing or amended customer itemization by making a counter offer. Consequently, even if a completely itemized annual order has been placed, an itemized contract never arises for more than the respective quarter (Article 5 Paragraph 2).

## Price Surcharges

In accordance with Article 17 Paragraph 2 of the Order of 17 November 1983 on the Central State Calculation Directive for the Formation of Industrial Prices,<sup>8</sup> the partners may agree a price surcharge as per Article 6 if the supplier accepts the customer's itemization offer. although the itemization dates as per Article 4 Paragraph 1 or Article 5 Paragraph 1 were exceeded. This equally applies to exceeding the order dates for a quarterly contract to be concluded as per Article 7. The regulation of the price surcharge does not apply to the annual order as per Article 2 Paragraph 1.

Neither the decree nor the central state calculation directive establishes a right to agree a price surcharge for exceeding order and itemization dates set by coordination contracts between combines.

As per Article 17 Paragraph 5 of the central state calculation directive, the provisions set out in attachment No 7 to the directive, especially Nos 3.2 and 4, apply to the ascertainment of the amount of the price surcharges. The amount of the price surcharge is largely decided by the additional costs arising for the supplier plus the costing profit surcharge confirmed by the state. At the customer's request, the supplier must bring supporting evidence for the amount of the price surcharge claimed (No 4 letter c of attachment 7). The price surcharge may not exceed 12 percent of the legal price. This provision of Article 6 Paragraph 4 accords with the corresponding provision in Article 17 Paragraph 2 of the central state calculation directive.

As a rule the agreement on the price surcharge will be linked with the itemization agreement. Another suitable approach may be agreement as part of the annual contract. In the case of conflict, the State Contract may issue a decision.

Agreed price surcharges may continue to be charged only if the respective contract so stipulates, and an appropriate agreement was effected. This also arises from attachment 7 to the central state calculation directive (No 7). The same applies to investments in the chain of cooperation from IAG [capital investment contractor: enterprise or organization responsible for planning and carrying out an investment project] to the main contractors or subcontractors in the case of belated offers due to projects decided upon too late.

The claim to the agreed price surcharge lapse if the actual delivery is late, that is subsequent to the agreed delivery quarter. A delay within the quarter does not result in the lapse of the claim.

## Special Order and Delivery Terms

Regulations diverging from the provisions of the decree may be established in the instances cited by the decree either by legal instruction--in particular supply order as per Article 9--or by coordination contracts between the combines. Procedures must be based on the exceptional nature of these regulations stated in Article 8. Great challenges arise therefrom to the responsible action of combines.

The State Contract Court may set up coordination contracts as per Article 11. The court is also entitled to amend a coordination contract if it includes deviations from the instructions of the decree, that are not supported by particular reproduction conditions. Coordination contracts, concluded earlier and incorporating provisions on order dates, do not automatically lapse upon the decree taking effect. However, the partners are advised to review these agreements and, if necessary, amend them consonant with the principles of the new regulation. In doing so they must keep in mind the fact that, as per Article 8, only combines may conclude agreements on order dates in coordination contracts.

Divergent regulations for internal combine relations may also be fixed in combine plans. This does not arise from the decree direct but from the basic regulation of Article 21 VG, applicable to internal combine cooperation. Long order periods and other provisions for internal combine cooperation do not establish a claim to earlier orders, greater itemization of orders or contracts, and so on, with regard to economic units outside the combine.

#### Penalties

The provision of Article 12 sentence 1 was included in the decree because, according to generally applicable principles, a claim to a contract penalty as per Article 104 VG could arise only from the itemized contract. The regulation therefore covers the cases when, due to the failure to arrive at an itemization agreement, the delivery volume of the annual contract is not fully itemized and, consequently, not delivered.

The claim for contract penalties may be directed against the supplier or the customer. In this context it is decidedly the duty of the supplier to accept a customer's itemization offer if it is within the scope of the standard assortment and corresponds to the customer's genuine needs. If itemization is impossible due to a return of funds as per Article 7 DB/Balancing Decree, the principles set out there on penalty exempt contract amendment and contract cancellation apply.

The general principles apply to the presence of the facts of nonfulfillment. Consequently nonfulfillment is generally not deemed to be present if the quantity earmarked for the quarter in the annual contract had not been specified, because the possibility of itemizing this quantity in one of the subsequent quarters cannot a priori be considered excluded.

Claims for penalties for delays or other breaches of duty can arise only from the breach of duties specified in the itemized contract. However, as per Article 56 Paragraph 1 VG, the partners may agree on contract penalties for delayed itemization or delayed acceptance of the itemization offer.

If no calculation base is present for the nonfulfillment contract penalty as per Article 12 sentence 1, because the customer failed to hand over an itemization offer, an average price should be used based on the products itemized or delivered in the previous quarter. If the supplier does not accept an itemization, the value of the products listed in the itemization represents the base of calculations.

FOOTNOTES

1. VO of 5 January 1984 on Order and Delivery Terms for Raw and Other Materials and Supplier Components - Order and Delivery Decree - (GBI I No 2 p 9); all articles mentioned refer to this VO.
2. M. Flegel, "For Greater Flexibility in the National Economy," WIRTSCHAFTS-RECHT No 1/1984, p 2.
3. DB of 2 June 1983 to the VO on Materials, Equipment and Consumer Goods Balancing - Balancing Decree - (GBI 1 No 15 p 167).
4. For electricity, for example, the Order of 18 November 1982 on the Delivery of Electricity, Gas and Heat to the Economy - ELW - (GBI I No 41 p639), for liquid energy sources the Order of 9 February 1982 on the Planning, Balancing and Delivery as well as Settlement and Control of the Consumption of Liquid Energy Sources - Supply Order for Liquid Energy Sources - (GBI I No 10 p 192).
5. For consumer goods, for example, the fourth implementing decree/VG, for equipment and industrial plant the second implementing decree/VG and other regulations on investments.
6. GBI I No 5 p 109.
7. G. Mittag, address to the Conference of GDR Economists in the Karl-Marx year 1983, on 29 and 30 September in Berlin, printed in "Oekonomische Strategie der Partei--Klares Konzept fuer Weiteres Wachstum" [The Party's Economic Strategy--Clear Concept for Further Growth], Berlin 1983, p 52.
8. GBI I No 35 p 341.

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CSO: 2300/457

DECREE ON STANDARDIZATION TO IMPROVE PLANNING, PRODUCT QUALITY

Discussion of Decree

East Berlin PRESSE-INFORMATIONEN in German No 49, 26 Apr 84 pp 2-3

[Article by J. Schoenermark, vice president of the Office for Standardization, Measurement and Product Testing: "Using Standardization More Effectively"]

[Text] Standardization is an integral element of scientific-technological work. It is imperative to consistently use it for the intensification of social labor and the rational organization of the entire reproduction process. To encourage and aid this process, a new "Decree on Standardization - Standardization Decree" (GBI I Part I No 12 of 25 April 1984) was enacted. It takes effect on 1 June 1984.

A key concern of this decree is the further perfection of the management and planning of standardization efforts as well as the more emphatic development of standards as the most important tool of ministers and general directors for orientation and appraisal, so as to achieve the highest quality everywhere. With this aim in mind, we have added production standards with quality criteria to GDR, special field and production standards. They are predominantly management tools for general and combine directors for the improvement of product quality and bases for state quality control.

The new decree includes fundamental tasks as to the question how to use standardization for the implementation of the economic strategy for the achievement of the best possible economic results. Mainly involved are tasks aimed at improving and safeguarding product quality, especially by ambitious quality criteria and faultless work. Standardization is also oriented to the rationalization of production preparation and production proper, the lowering of the specific consumption of materials and energy as well as the safeguarding and further perfection of health protection and industrial safety, fire prevention and environmental control.

To efficiently accomplish these tasks, the new decree orients to the resolute realization of the unity of standardization and scientific-technological work. A new feature is present: Together with the tasking workbooks, precise assignments must be decided for the utilization of best solutions cited in standards as well as for the drafting of the necessary standards. Such standards must be ready at the time the scientific-technological work is completed and



include at the very least the results confirmed in the concluding defense. To guarantee a dynamic product turnover, mandatory requirements must be set, together with the standards, for current and future production--in accordance with the respective needs.

The new decree orients the work of standardization more emphatically to the key issues of scientific-technological development in order to secure the best possible national effect. Generally decided thereby were the targets of the central state organs as well as the general, combine and enterprise directors on the management and planning of standardization, in particular by skilled analyses and sound norming.

The new standardization decree includes tried and tested prescriptions. Consonant with more recent legal regulations on, for example, scientific-technological work or on the development and safeguarding of product quality, various regulations were further developed or newly instituted. This applies to, among others, the definite classification of GDR standards or special field standards as a management tool for the president of our office, the ministers, general and combine directors. Furthermore, the new decree is directed to the speedier drafting of standards by the consistent inclusion of all standardization work in science and technology; it also issues definite instructions for the coordination of draft standards. Standards of the Council for Economic Mutual Aid must always be incorporated in the state standards of our country, in other words GDR and special field standards. In general, the new decree serves to further simplify the legal regulations on standardization, and they are thereby more easily comprehensible.

#### Text of Decree

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I  
No 12, 25 Apr 84 pp 157-162

["Decree on Standardization - Standardization Decree - signed by W. Stoph, chairman, Council of Ministers of the GDR on 15 Mar 84"]

[Text of Decree] The following is ordered for the consistent use of standardization for the intensification of social labor and the rational organization of the entire production process, specially to safeguard the increasingly favorable cost/profit ratio on the basis of improved labor productivity, the improvement and reliability of the quality of all products and services, and the reduction of specific production consumption:

#### Article 1

##### Scope

(1) This decree applies to

- State organs and economy managing organs,
- Combines, enterprises, cooperatives and facilities of all sectors of the national economy (hereinafter designated combines and enterprises).

(2) This order applies to the standardization to safeguard national defense in terms of economics, unless otherwise provided in special legal regulations.

## Article 2

### Basic Tasks

(1) In accordance with the resolutions adopted by the Socialist Unity Party of Germany, the laws and other regulations, standardization is to be used in the implementation of the economic strategy for the achievement of the best possible national results. It is an integral element of the tasks for scientific-technological progress. It must start from the status and the trends of scientific-technological advances as well as the requirements of the intensification of the national economy, exports and public needs, aim at the nationally profitable utilization of standard setting research and development results and the broad application of tested solutions. At the same time it must effectively support the dynamic renewal of products, processes and technologies to improve the social useful effect. Standards must impose mandatory requirements on current output and, corresponding to the respective needs, on future production also.

(1) Standardization must be made into an effective tool for the enforcement of state quality and efficiency demands in the management and planning of the social reproduction process and resolutely applied, in particular, in research, development, design, planning, technology (including measurement, testing and control technology) and production. It must be directed most of all to the

- Improvement and safeguarding of the quality of all products, in particular the guarantee of top quality, by the imposition and application of quality criteria consonant with the need to intensify the national economy, meet the demands of export and the public, by taking into account the rising speed and trends of scientific-technological advances, as well as by measures directed at the enforcement of modern quality control systems designed for the consistent realization of faultless work, including process-integral measurement technology (in turn including weighing and dosage equipment) to check the characteristic values fixed in the standards;
- Rationalization of production preparation and production on the basis of highly productive technological processes, inexpensive designs, efficient labor organization and measuring and testing equipment by ensuring the greatest possible standardization of components and subassemblies, the establishment of the optimum product assortments in terms of the national economy, as well as the guarantee of the greatest possible interchangeability and compatibility of the products;
- Reduction in the consumption of materials and energy in the reproduction process by establishing and applying progressive calculation, design and planning instructions, technological standard values and by ensuring the greatest possible refinement of all raw materials and other materials to be used as well as the recovery and use of secondary raw materials, lowering transportation costs and rationalizing transport, handling and storage processes;

-- Safeguarding and further perfection of health protection and industrial safety, fire safety and environmental control so as to create working and living conditions preserving and promoting health and efficiency, in particular by the safe and reliable design and utilization of products, processes and structural facilities including places of work.

(3) Standardization work is to be so carried out that the life and health of the consumers and users of standardized products are protected at all times. Suggestions for safe use and handling must provide extensive information about any possible hazards or other injurious effects.

(4) Standardization work must proceed in coordination with the tasks for the further deepening of socialist economic integration in the Council for Economic Mutual Aid and taking into account the standards of other countries and international organizations. It is imperative by way of the economic plans to guarantee that GDR state standards are standardized with those of the USSR, in accordance with the requirements for deepening scientific-technological and economic cooperation so as to further speed up the international socialist division of labor.

(5) Standardization tasks are to be established in the plan part science and technology for all annual and five-year plans for all levels of the national economy. Standardization tasks decisive for raising the efficiency of production and improving product quality must be incorporated in the state plan science and technology.

(6) The requirements of national defense must be guaranteed in the planning and accomplishment of standardization work.

(7) Instructions regarding the protection of state and service secrets must be observed in the planning and accomplishment of standardization work as well as in the sale and use of standards.

#### Tasks of Ministries and Other Central State Organs in the Field of Standardization

#### Article 3

#### Ministries and Other Central State Organs

(1) Ministers are responsible for combines and enterprises in their sphere of responsibility, consonant with their targets, consistently using standardization to achieve the best possible economic results in the reproduction process. They are assisted in the preparation of plans and the supervision of plan fulfillment by, among others, the analytical-conceptual efforts of the persons in charge of the coordination of standardization at the respective ministries.

(2) Consonant with national requirements and starting with the basic directions drafted by the ASMW [Office for Standardization, Measurement and Product Testing], the ministries must issue to the combines and enterprises of their sphere of responsibility the key points of standardization for the accomplishment of the basic tasks listed in Article 2.

(3) The ministries must make sure that the economic efficacy of standardization is constantly analyzed in the combines and enterprises of their sphere of responsibility, and that measures are consequently adopted to safeguard that

-- Standards are drafted, application of which can be demonstrated to guarantee the achievements of the best national effects,

-- Best international standards are enforced, in particular for the use of standards to improve the cost/profit ratio,

-- Standards are brought up to date in accordance with national requirements, and

-- The instructions included in the standards are exactly followed.

(4) In the scope of their respective sphere of responsibility, ministers are responsible for the planned realization of the contribution to be made by the GDR to the accomplishment of international standardization tasks. In the planning and execution of this work they make sure that overall state interests are observed, and that the accomplishment of these tasks results in a demonstrable growth in the efficiency of scientific-technological work, production, the specialization and cooperation of production and exports.

(5) For the improvement of the national efficacy of standardization and in coordination with the president of the AMSW, ministers must issue the necessary sector-specific basic regulations on standardization.

(6) In coordination with the FDGB federal executive board, the state secretariat for labor and wages arranges the drafting and organization of the standards for health protection and industrial safety as well as fire prevention. It decides the system of these standards and drafts methodological regulations for the steady perfection of the substance, uniformity and comprehensibility of the standards. It also sees to their implementation and, based on Article 8 Paragraph 1, establishes the responsibility for the drafting of these standards.

(7) The tasks established in Paragraphs 1-5 apply mutatis mutandi to other central state organs and their managers.

(8) The Ministry for District Managed Industry and Foodstuffs Industry carries out the tasks as per Paragraphs 1-5 vis-a-vis the district economic councils. The district economic councils are responsible for these tasks vis-a-vis the combines and enterprises in their sphere of responsibility.

#### Article 4

##### Office for Standardization, Measurement and Product Testing (ASMW)

(1) The ASMW is responsible for the uniform management and planning of national and international standardization work. It safeguards skilled analytical and supervisory activity to guarantee the highest possible level of

standards and their application. It carries out these tasks in cooperation with the ministries, other state organs and combines by

- The drafting of basic directions of standardization as central assignments for the improvement of the social efficacy of standardization work in agreement with the national targets and main orientations of natural sciences and technology as well as by supervising their translation within the scope of the management and planning of the national economy for the implementation of the basic tasks listed in Article 2;
- The drafting of standardization targets for the state plan science and the supervision of their implementation as well as influencing the corresponding targets and assignments for standardization in the plans science and technology of combines and enterprises;
- Seeing to it that the necessary targets and assignments for standardization work are established in the tasking workbooks for new products, processes and technologies, and that their realization achieves the best possible results for the national economy;
- The issue of assignments for the drafting, revision or withdrawal of standards (the latter without replacement);
- The issue of statements agreeing to the drafts for state standards;
- The issue of statements of approval for work standards with quality criteria;
- The drafting of the methodological regulations required for standardization.

It assists the ministries and other state organs as well as combines to secure the greatest possible efficacy of the management, planning and execution of standardization work.

(2) The ASMW is responsible for the uniform management and planning of the standardization of GDR standards with those of the USSR, for international cooperation in the field of standardization with the member countries of the Council for Economic Mutual Aid, especially for the preparation of CEMA standards as well as for the organization of cooperation in the field of standardization with other countries and international organizations.

(3) To safeguard the application of scientific-technological advances and prevent economic losses, the president of the ASMW is authorized on his own responsibility to confirm, amend or withdraw state standards or establish the responsibility for the drafting of standards if the responsible organs fail to altogether or at the proper time to discharge their responsibilities.

(4) To meet its responsibility for the greatest possible efficacy of the measuring system, the ASMW ensures the observance of advanced international levels in the drafting or revision of standards for the development and production of the necessary measurement and testing equipment, on the efficient

organization of the measurement-technical safeguards for technological processes and measurement-technical testing accompanied by the observance of the requirements arising from the reciprocal international recognition of the results of state inspections of measuring equipment.

(5) Not affected by the provisions of Paragraphs 1-3 are legal regulations by which specific tasks in the field of standardization were assigned to other central state organs.

#### Tasks of Combines and Enterprises

##### Article 5

(1) The general directors are responsible for the industry specific accomplishment in their sphere of responsibility of the basic tasks listed in Article 2.

(2) General directors must ensure that

- State standards and production standards with quality criteria, for which they are responsible , are drafted and coordinated at the proper time so that the necessary standards are to hand upon conclusion of research and development work and include the results confirmed in the concluding defense;
- State standards and work standards with quality criteria are drafted and used consonant with the respective requirements as orientation and evaluation tools for the complete assurance and improvement of the quality of all products as well as the basis for state quality control.

(3) General directors must further use standards to ensure that

- The mechanical assembly technique is comprehensively realized in order by various combinations quickly to develop new products consonant with the market demand and promptly manufacture them in demand-appropriate volume;
- Assortments of materials and products are decided on, that safeguard the demand-appropriate availability of products, rational manufacture and the thriftiest use of materials and energy;
- Components and subassemblies offering the best possible opportunities for recycling are standardized in order to facilitate the use of highly productive processes, suitable for mass production, as well as rational spare part stockpiling;
- Calculation, design, planning and testing instructions, instructions for lowering materials and energy use as well as instructions for the recovery and use of secondary raw materials are established and enforced in their sphere of responsibility;
- Rules are issued to safeguard health protection and industrial safety as well as fire prevention and environmental control so as to provide working and living conditions suitable for preserving and improving health and efficiency;

-- Rules are issued for at all times protecting the life and health of the consumers and users of standardized products.

(4) In observation of their responsibility for the greatest possible national efficiency of standardization, general directors rely on, among others, the conceptual-analytical work of the central offices for standardization and the offices for standardization at the combines and enterprises. They involve them in the preparation of decisions on the management, planning and conduct of standardization work and thereby ensure that the combines and enterprises

-- By way of the plans carry out the decisive standardization tasks and measures for the transfer of the results for the improvement of the efficiency of the reproduction process;

-- In the tasking workbooks on the development of products, processes and technologies set assignments for the drafting of standards or the consistent use of the best values established in standards with regard to lowering production consumption, increasing the recycling of components and subassemblies to be rationally manufactured, to the creation of optimum assortments and on the guarantee of quality characteristics meeting safety standards, and that they enforce compliance;

-- Exercise tight control on the observance of standards in their sphere of responsibility;

-- With an eye on future requirements, review standards in their sphere of responsibility as to their up-to-dateness and have them revised promptly if divergences from national requirements in connection with scientific-technological measures can be foreseen.

(5) General directors are responsible for the realization of concrete standardization tasks arising from cooperation with the USSR and the other CEMA countries. Based on the requirements of the GDR national economy and in accordance with international treaties and agreements, they ensure that the specialization and cooperation of production is speeded up, the exchange of goods expanded and its efficiency improved.

(6) General directors must make sure that the standardization tasks arising from cooperation with other countries and international organizations are carried out in the combines.

(7) The rules established by this decree for general directors apply mutatis mutandi to the managers of state organs and economy managing organs in all sectors of the national economy, provided that they are called upon to draw up standards.

## Drafting and Revision, Confirmation and Publication of Standards

### Article 6

#### Standards of the GDR

(1) Standards of the German Democratic Republic are

- GDR Standards,
- Special field standards,
- Production standards with quality criteria, and
- Production standards.

(2) GDR and special field standards are state standards.

(3) GDR standards involve long-term regulations of general and national importance. They include:

- Basic rules to ensure the conformability and compatibility of subassemblies and components, in particular tolerances and fits, shape and situation deviations, gearings, threads, surface accuracies, screen measurements;
- Basic rules to ensure the best possible materials and energy management for all sectors of the national economy, in particular bases for the most efficient calculation, design and sizing, for mechanical assembly techniques, for anticorrosion and protection against wear and tear, and for rational energy and water use;
- Basic rules for the protection and preservation of the health of people, the protection of material assets and the environment;
- Basic rules for the uniform conduct and evaluation of measuring and testing procedures;
- Basic rules with respects to terms, units and symbols used for uniform information;
- Basic rules on the uniform organization of technical documents for the preparation, implementation and settlement of production.

(4) Special field standards involve rules to be established by the general directors of combines consonant with their defined scope. They include rules

- On ensuring the interchangeability and compatibility of products, in particular by establishing companion parameters and screen measurements for products and product groups;
- On the organization of the nationally best product assortments;
- On the functional values of products or product groups, including the necessary testing instructions;
- On special instructions for the admission of designs of measuring instruments for calibration and the calibration of measuring instruments;



-- On the comprehensive rationalization of production preparation and production proper;

-- Specifically for the protection and preservation of the health of people, the protection of material assets and the environment. This protection must be guaranteed, primarily by technical-technological measures.

(5) Just as the quality requirements prescribed in state standards, the quality rules included in production standards with quality criteria are the basis for the orientation, evaluation and control of product quality. Production standards with quality criteria are above all management tools of the general and enterprise directors for the development and safeguarding of product quality as well as the basis of state quality control.

(6) Production standards include specific technical and technical-organizational rules for the rational conduct of the reproduction process of combines and enterprises, instructions for the efficient organization of cooperation relations between the enterprises and enterprise sections of a combine as well as other enterprise rules.

#### Article 7

##### Standards of the Council for Economic Mutual Aid (CEMA Standards)

(1) The use of CEMA standards in the GDR national economy and the contractual relations involving economic and scientific-technological cooperation must effectively assist international production specialization and cooperation, promote the steady improvement of the efficiency of goods exchanges and raise the quality of products and services.

(2) The president of the ASMW is authorized on behalf of the GDR Council of Ministers to confirm CEMA standards in the CEMA Permanent Committee for Standardization.

(3) The substance of CEMA standards must generally be incorporated in the state standards of the GDR. The president of the ASMW decides on incorporation in other standards.

(4) The beginning dates for the use of CEMA standards with respect to contractual relations for economic and scientific-technological cooperation assume mandatory force by publication in the GESETZBLATT, Special Issue "ST," as per Article 10.

(6) The president of the ASMW issues special regulations for the drafting of CEMA standards, their introduction in the body of standards as standards of the GDR and their use.

## Article 8

### The Drafting and Revision of Standards

(1) Basically responsible for the drafting of standards is the person responsible for scientific-technological development in the respective field. The pertinent details will be settled in an implementing regulation to this decree.

(2) The drafting of standards is always part of scientific-technological work and must be carried out in accordance with the rules set out in the confirmed tasking workbook.

(3) Statements of approval must always be obtained for drafts of state standards, depending on their substance,

- a) From the ASMW,
- b) From the state organs with controlling, coordinating and supervisory functions as per the responsibility in the respective field established by legal regulations,
- c) From the respective main final producers and other cooperation partners, in particular manufacturers, customers, users, scientific and other institutions, if necessary from their superordinated organs,
- d) From the foreign trade organs insofar as the standards affect foreign trade.

The president of ASMW will decide on exceptions.

(4) Statements of approval must be obtained for draft production standards with quality criteria. The quality rules are deemed coordinated when the necessary approval of the results of scientific-technological work settled in the concluding defense is to hand as per the tasking workbook decree.

(5) Production standards with quality criteria require ASMW approval. ASMW approval of production standards with quality criteria is to be obtained by the competent general or combine director at the time of the application for the start-up of production or the application for issue of the quality mark. The ASMW issues its approval for a limited time. ASMW approval must be obtained all over again, when the stated period has elapsed.

(6) The ASMW issues its statement of approval of draft state standards or its approval of production standards with quality criteria only if the responsible general directors demonstrate that, based on the requirements of the intensification of the national economy, exports and public demand

- The necessary quality indices of state quality criteria are established in the standards,
- The products are rationally manufactured on the basis of the greatest possible standardization and recoverability of components and subassemblies,

-- Substantial rates of reduction in the specific consumption of materials are enforced, and

-- The necessary rules issued for the protection and preservation of the health of people, the protection of material assets and the environment.

(7) Paragraphs 1-6 apply mutatis mutandi to the revision of standards. So as to establish assignments for the revision of standards to safeguard the necessary up-to-dateness, state standards must be revised at least once in each five-year plan period and production standards with quality criteria at least once within the period of ASMW approval. Details will be settled in an implementing regulation.

#### Article 9

##### The Defense of Draft Standards

(1) Drafts of GDR and special field standards as well as production standards with quality criteria must be defended to guarantee the best possible scientific, technical and economic results. The defense of draft GDR and special field standards as well as production standards with quality criteria must normally proceed in the concluding defense of scientific-technological work.

(2) Following the defense, a decision on the confirmation of the standard and its prompt introduction must be made.

#### Article 10

##### Confirmation and Publication of Standards

(1) GDR standards are confirmed by the president of the AMSW on the application of the combine general director responsible for drafting the standard. The competent minister may reserve to himself the application for the confirmation of GDR standards.

(2) Special field standards are confirmed by the general director of the combine responsible for their drafting. The competent minister may reserve to himself the confirmation of special field standards.

(3) Production standards with quality criteria are confirmed by the general director or the director of the district managed combine.

(4) Production standards are confirmed by the enterprise directors. The competent general director or director of the district managed combine may reserve to himself the confirmation of these standards.

(5) The president of the ASMW publishes the confirmation of state standards by order in the GFESETZBLATT, Special Issue "ST." These standards take effect upon publication. Publication may proceed in another form also, provided that special legal regulations so specify.

## Article 11

### Registration of Production Standards With Quality Criteria

- (1) General directors or directors of district managed combines must register production standards with quality criteria with the ASMW, together with the application for the start-up of production or for issue of the "Q" quality mark.
- (2) Upon ASMW approval as per Article 8 Paragraph 5, the quality rules of production standards with quality criteria turn into state quality instructions in the meaning of Article 42 Paragraph 1 of the contract law.

## Article 12

### Mandatory Force of Standards

- (1) State standards are legal instructions and mandatory on the entire national economy.
- (2) Production standards with quality criteria are mandatory on the entire national economy with respect to quality rules and deemed quality instructions in the meaning of Article 42 Paragraph 1 of the contract law.
- (3) Divergences from the instructions of state standards or quality instructions of production standards are permissible only if, in special cases, demonstrable national benefits may thereby be achieved or national detriment avoided and, in specific instances, a divergence without permission is allowed or approval of a divergence has been granted. Details will be settled by an implementing regulation.
- (4) Production standards are valid in the sphere of responsibility of the confirming manager. He also decides on the admissibility of divergences from these standards.
- (5) The standards governing services are to be agreed in business contracts, citing the standard number. GDR and special field standards as well as quality instructions of production standards with quality criteria are part of any business contract even if not explicitly agreed. Upon taking mandatory effect, these standards are deemed to amend business contracts already concluded even without explicit agreement.
- (6) Upon the conclusion of business contracts with cooperation partners with whom production standards with quality criteria were not coordinated, manufacturers are obligated in a suitable manner to inform them about the quality instructions included therein.
- (7) In bilateral or multilateral contracts on economic and scientific-technological cooperation with the USSR and other CEMA countries, the uniform or CEMA standards must be incorporated, citing the standard number. In the case of an amendment of these standards, efforts must be made to effect the corresponding contract amendment.

(8) GDR foreign trade relations must be based on GDR standards. Divergences from standards of the GDR are admissible upon taking into account the applicable legal regulations.

(0) The observance of state standards must be documented by marking products accordingly. Details will be settled in an implementing regulation.

#### Article 13

##### Withdrawal of Standards

(1) When standards no longer meet national requirements, they must be promptly withdrawn without replacement or, possibly, promptly revised.

(2) The general director responsible as per Arrticle 8 Paragraph 1 must apply to the president of the ASMW for the withdrawal without replacement of state standards. The president of the ASMW publishes the withdrawal without replacement of these standards by order in the GESETZBLATT, Special Issue "ST."

(3) Production standards with quality criteria are to be withdrawn by the general directors or directors of district managed combines. The ASMW must be advised.

(4) Article 8 Paragraph 1 applies mutatis mutandi to the withdrawal of standards.

#### Article 14

##### Contradictions Between Standards

(1) GDR standards are superordinated to special field standards, special field standards to production standards with quality criteria. Subordinated standards may not contradict superordinated standards. If contradictions do arise, the superordinated standard takes precedence.

(2) If contradictions are noted between standards of equal rank, the president of the ASMW decides on the removal of the contradiction unless the parties involved quickly settle the matter between themselves. Until such a decision is issued, the standard which was confirmed first is deemed valid.

#### Article 15

##### ASMW Obligations

(1) The ASMW is authorized to impose obligations for the

-- Prompt revision or withdrawal without replacement of special field standards and production standards with quality criteria, if they no longer meet national requirements,

-- Drafting of standards to settle urgent national concerns.

(2) Combines and enterprises are obligated to follow these instructions. Their responsibility for standardization is not restricted thereby.

(3) An appeal may be lodged against obligations as per Paragraph 1. The appeal must be lodged in writing, citing the reasons, within 4 weeks from receipt of the obligation with the party that issued it. The appeal has no delaying effect. A decision on the appeal must be made within 1 week from receipt. If the appeal is not allowed or not allowed completely, it must be conveyed to the president of the ASMW within this delay. The president of the ASMW issues the final decision within another 2 weeks. If, in exceptional cases, it is impossible to arrive at a decision within this delay, an intermediate advice must be issued, citing the reasons and the probable date of completion.

## Article 16

### Administrative Penalty Provisions

(1) Anyone who, as the manager or senior employee of a combine or enterprise, deliberately or negligently permits or causes inadmissible divergences from standards as per Arrticle 12 Paragraph 3, may receive a reprimand or punished by a fine ranging from M10. to M500.

(2) If, as the result of a deliberate misdemeanor as per Paragraph 1

-- Social interests were grossly disregarded,

-- Major damage was or could have ben caused,

-- A deliberate misdemeanor was committed for personal benefit or repeatedly within 2 years and punished by fine,

a fine of up to M1,000 may be imposed.

(3) The president of the ASMW is responsible for administrative penalty proceedings.

(4) The law of 12 January 1968 on Combating Misdemeanors--OWG [misdemeanors law]--(GB1 I No 3 p 101) applies to the conduct of administrative penalty proceedings and the imposition of administrative penalties.

## Article 17

### Implementing Regulations

(1) The president of the ASMW issues implementing regulations to this decree in agreement with the managers of our competent central organs.

(2) The president of the ASMW confirms necessary methodological regulations as GDR standards.

## Article 18

### Concluding Provisions

- (1) This decree takes effect on 1 June 1984.
- (2) Losing effect at the same time are:
  - The decree of 21 September 1967 on Standardization in the German Democratic Republic - Standardization Decree - (GBI II No 90 p 665),
  - No 91 of the Adjustment Decree of 13 June 1968 (GBI II No 623 p 363); Ber No 103 p 827),
  - First Implementing Regulation of 11 September 1968 to the Standardization Decree - National Defense Requirements in the Planning and Conduct of Standardization Work - (GBI II No 100 p 801),
  - Second Implementing Regulation of 11 September 1968 to the Standardization Decree - Divergences from GDR and Special Field Standards - (GBI II No 100 p 802) in the version of the Order of 23 July 1973 on the Cancellation and Amendment of Legal Regulations in the Field of Standardization (GBI I No 37 p 400),
  - Third Implementing Regulation of 11 September 1968 to the Standardization Decree - Marking of Standardized Products - (GBI II No 100 p 805),
  - Fourth Implementing Regulation of 11 September 1968 to the Standardization Decree - Mandatory Effect of GDR and Special Field Standards - (GBI II No 13 p 194),
  - Eighth Implementing Decree of 8 March 1976 to the Standardization Decree - Improvement of Materials Management by Standards - (GBI I No 13 p 112),
  - Order of 13 March 1980 on the Review and Revision of State Standards (GBI I No 13 p 112),
  - Decree of 19 September 1974 on the Standard of the Council for Economic Mutual Aid (GBI I No 55 p 499),
  - First Implementing Regulation of 30 April 1978 to the Decree on the Standard of the Council for Economic Mutual Aid - Planning, Drafting, Confirmation and Introduction of CEMA Standards - (GBI I No 19 p 233).
- (3) The Sixth Implementing Regulation of 26 June 1974 to the Standardization Decree - Standardization of Requirements of Health Protection and Industrial Safety as well as Fire Prevention - (GBI I No 35 p 334) and the Seventh Implementing Regulation of 27 November 1975 to the Standardization Decree - Standardization of Requirements for Safeguarding Socialist Environmental Control - (GBI I No 47 p 763) continue to be in effect as second and third implementing regulations to the standardization decree. The indications regarding the Articles of the Decree of 21 September 1967 on Standardization in the German Democratic Republic (GBI II No 90 p 665) are irrelevant.

## Text of Implementing Regulation

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I  
No 12, 25 Apr 84 pp 162-164

["First Implementing Regulation to the Standardization Decree - Regulations on the Implementation of Standardization Processes and on the Application of GDR and Special Field Standards as well as Production Standards with Quality Criteria, signed by state secretary H. Lilie, president of the Office for Standardization, Measurements and Product Testing on 15 Mar 84"]

[Text of Regulation] On the basis of Article 17 of the Decree of 15 March 1984 on Standardization - Standardization Decree - (GBI I No 12 p 157) and in agreement with the managers of the competent central state organs, the following is ordered:

To Article 8 of the Decree:

### Article 1

#### Responsibility for the Drafting and Revision of Standards

(1) General directors or directors of district managed combines are responsible for drafting state and production standards with quality criteria. The managers of enterprises, cooperatives or facilities are responsible for drafting production standards.

(2) If it is impossible to clearly establish responsibility, it is deemed to arise

-- From balance responsibility, if the products are manufactured in one or several combines, and one of these combines hold balance responsibility,  
or

-- From production responsibility, if none of the combines manufacturing the products holds balance responsibility.

(3) If several combines develop and manufacture the same or similar products not subject to balancing or the same or similar processes used, the general directors must arrive at an agreement as to which combine is to carry out standardization work and which general director confirm the special field standards.

(4) In the case of imported products, the organ responsible for balancing is always responsible for drafting and revising standards.

(5) If it is impossible to establish responsibility as per Paragraphs 1, 2 and 4 or agree it as per Paragraph 3, decisions on responsibility must be made by the minister for combines in the sphere of responsibility of a ministry.



(6) If it is impossible to establish responsibility as per Paragraphs 1-4 in the case of combines in the spheres of responsibility of several ministries, the decision is up to the president of the Office for Standardization, Measurement and Product Testing (ASMW).

(7) The Ministry for National Defense may reserve to itself the responsibility for the drafting and confirmation of standards with respect to special products and services.

(8) Responsibility for standardization work continues until a written agreement or decision on a change in responsibility is to hand.

## Article 2

### Planning the Tasks of Drafting and Revising Standards

(1) The persons responsible for planning the tasks of drafting and revising standards must inform the Ministry for National Defense on the drafting of state standards. The Ministry for National Defense stipulates in which tasks of drafting and revising GDR standards, special field standards and production standards with quality criteria it will cooperate or for which its agreement must be obtained.

(2) In the field of health protection, industrial safety and fire prevention, ministers and managers of other central state organs must draw up long-range programs on the drafting and revision of appropriate standards for their sphere of responsibility within the framework of drafting the five-year plan and, if necessary, bring them up to date each year.

## Article 3

### Obtaining Statements of Approval for State Standards

(1) Statements of approval must be obtained within a reasonable delay, at least 4 weeks.

(2) The persons obligated to issue a statement of approval must comment within the period allocated. Objections must be explained.

(3) (3) If no objection is raised within the period allocated nor a justified extension of the term applied for, approval of the draft standard is deemed to have been issued. This does not apply for obtaining statements of approval from the ASMW and other state supervisory organs.

(4) Draft GDR and special field standards must be published by the competent combine in the MITTEILUNGEN DES ASMW for comment, unless legal regulations provide otherwise.<sup>1</sup>

(5) The persons responsible as per Article 1 must apply to the president of the ASMW for permission to deviate from the provisions of Paragraphs 1-4.

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To be used is ASMW form No 4.

## Article 4

### Review of Standards

(1) In accordance with national requirements and the developmental trends of science and technology, the persons responsible for drafting standards establish timetables for the review of standards in the plan science and technology. In this work they rely on the tables issued by the ASMW on the standards to be reviewed in the five-year plan period as well as in the plan year.

(2) Consequent upon the review, one of the following statements must be issued:

- The standard meets national requirements and may continue to apply next review: (year)
- The standard does not meet national requirements and
  - . will be revised--beginning of the revision: (year)
  - confirmation of the reissue: (year)
  - . will be withdrawn without replacement (year).

The person responsible for the standard must coordinate the results of the review with those who cooperated in drafting the standards.

(3) The results of the review of state standards must be promptly conveyed to the ASMW and definitely not later than 10 working days after confirmation by the combine general directors.<sup>2</sup>

To Article 9 of the Decree

## Article 5

### Separate Defense of Draft Standards

(1) If a separate defense of draft standards is required, this must proceed, consonant with the target assignment, before a specially assembled expert committee. To be included are the main users, foreign trade, the ASMW and other competent state organs with controlling, coordinating and supervisory functions as well as scientific and other institutes and the trade.

(2) Separate regulations are in effect for state standards that include requirements for health protection, industrial safety and fire prevention.

To Article 12 of the Decree

## Article 6

### Establishment of Mandatory Force

(1) The mandatory force of standards is to be clearly established by defining the technical scope, the period of effectiveness and the degree of mandatory

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<sup>2</sup>

To be used is ASMW Form No 9.

force. From the dates fixed in the entry of the mandatory effect, all those for whom the standard applies must act in accordance with the provisions of the standard, unless a divergence from the standard is permissible as per the provisions of this implementing regulation.

(2) The technical scope determines for which

-- Products, processes, consultation procedures or requirements on performance, structural and other plant

-- Fields of use for these products, processes, consultation procedures or requirements on performance

the standard applies. The technical scope is to be decided and clearly defined by its title and--if required--by a title supplement. Limiting the technical scope to individual economic units is never permissible. Exceptions to this rule require the approval of the president of the ASMW. The period of effectiveness must be fixed in the entry of the mandatory effect.

(3) The entry of the mandatory effect "...mandatory from..." states from what date and in what stages of the reproduction process the conversion to the provisions of this standard must be completed within its scope.

(4) Various dates may be given in the entry of the mandatory effect. It is permissible to fix other dates in the text of the standards in addition to those shown in the entry of the mandatory effect, if such dates refer only to individual provisions and are for a point of time later than the earliest date in the entry of the mandatory effect.

(5) The extent of the mandatory force of provisions in the standard is to be decided as per standard TGL [GDR norm] 16223/03.

## Article 7

### Divergences from Standards Without Permit

(1) Divergences from standards are admissible without permit if this is provided for by the appropriate entry in the standard itself; included in particular are "directives," "standard values" and expressions lacking mandatory force, such as "may," "should" and "recommended for use."

(2) If a minor proportion of the output is not standard appropriate due to technological reasons, no permit is required provided the proportion of the output diverging from the standard is within the limits allowed by the ASMW for this production.

(3) If, within the scope of the accomplishment of scientific-technological assignments, the observation of standards is demonstrably impossible, no permission for divergences from standards are required until the particular tasks have been completed, provided that the results of these assignments are not delivered.

(4) If it is not possible to use standardized products for replacement needs, and conversion to the use of standardized products is totally uneconomic, permits for the required divergences are needed only if the standard specifies the assortment admissible for replacement needs.

(5) The business contract may include agreements on narrower tolerances than those fixed in standards if, in the particular type of use, demonstrable national benefits are achieved or national disadvantages avoided thereby.

(6) The provisions of Paragraphs 1-3 do not apply if the divergences affect rules for which the approval of state organs with controlling, coordinating and supervisory functions is necessary as per their responsibility stated in legal regulations.

(7) Services may be agreed and carried out in accordance with the new or amended standard without permit at dates prior to the date the new or amended standard becomes mandatory, provided that

-- The new or amended standard has taken effect in law by publication of the confirmation or amendment in the GESETZBLATT, Special Issue "ST," or

-- The ASMW has approved the new or amended production standard with quality criterion as per Article 8 Paragraph 6 of the Standardization Decree.

#### Divergence from Standards With Permit

##### Article 8

(1) Upon granting a permit, measures must be prescribed for removing the reasons for divergence from the standard.

(2) Permits must include limitations as to time, location, quantity or customer order.

(3) A permit for divergence from the standard must be issued by the manager who had confirmed the standard unless other competences are stated in legal regulations.

(4) If divergences from standards affect the functional values of products<sup>3</sup>, the ASMW alone may decide on a permit for divergence from the standards by issuing permits for

-- Continuing output,  
-- The delivery of already manufactured products,  
-- Delivery for testing

as per the Decree of 1 December 1983 on the Development and Guarantee of Product Quality.

(5) The appropriate legal regulations apply to the issue of permits for divergence from standards with respect to which other central state organs were assigned tasks in the field of standardization consonant with legal regulations.

<sup>3</sup> Currently in effect is the Decree of 1 December 1983 on the Development and Guarantee of Product Quality (GBI I No 37 p 405).

#### Article 9

Admissible divergences as per Article 12 Paragraph 3 of the Standardization Decree take effect with regard to inter-enterprise relations only after explicit agreement by the partners.

#### Article 10

(1) Products meeting the stipulations of GDR and special field standards must be marked with the symbol TGL as per TGL 3076 and the number of the standard.

(2) Markings should preferably be applied to the product itself.

#### Article 11

#### Concluding Provision

This implementing regulation takes effect on 1 June 1984.

11698

CSO: 2300/455

REPRESENTATIVE SHOPPING BASKETS IN TWO GERMANIES

West Berlin DIW-WOCHENBERICHT in German No 17, 26 Apr 84 pp 193-201

[Unsigned article: "A Comparison of the Purchasing Power Between the DM and the Mark of the GDR in 1983"]

[Text] Decisive for the purchasing power of consumers are their incomes and the prices of the goods and services purchased. "Consumer money parities ascertained for international comparisons are based on price comparisons in the respective national currencies; income standards and exchange rates are not considered. Exchange rates quoted on international bourse foreign exchange markets generally diverge from consumer money parities. For that reason the Federal Office for Statistics, for instance, calculates the consumer money parities for various countries and compares them with the official exchange rates. Purchasing power computations are indispensable for any comparison of international real incomes.

There are no official computations for the purchasing power of the GDR mark. Statistical comparisons between the purchasing power of the D-mark and the Mark of the GDR are difficult, because supply and demand in the GDR are not regulated by the price mechanism but by planning. The GDR Mark is a domestic currency pure and simple. It is not freely convertible, in other words it is not quoted on the international bourse foreign exchange markets. There is only a tourist exchange rate set by the GDR authorities (1 GDR Mark equals 1 D-Mark) and the rate offered by private exchange bureaus in the West (1983: 1 GDR Mark equaled 0.22 D-Mark).

Despite many methodological reservations, the DIW has calculated the purchasing power ratios between the D-Mark and the Mark of the GDR ever since 1950, albeit at irregular intervals. The last such comparison dates from 1981.<sup>1</sup> In the meantime incomes, consumer goods prices and consumption structures have changed in both Germanies. This new computation is designed to demonstrate the difference in the purchasing powers of the two currencies for private consumption (status: mid-1983).

## Method of Purchasing Power Computations<sup>2</sup>

Price comparisons are the basis of purchasing power computations. Except for special observations, the prices of goods counting toward the standard of living in the FRG were taken from the abundant official price statistics and mail order catalogues; used for the GDR were data from official statistics and other information (from press reports, for example).

Price comparisons present methodological problems even within a country, international comparisons meet with even greater difficulties. Often it is not possible to find identical goods. Though, whenever possible, prices of similar goods were compared, differences frequently arose with regard to the material used, the kind of processing, design and technical equipment. When justifiable, it is necessary to go by the criterion of the same purpose of use than by the principles of a "genuine" price comparison. In these circumstances it is particularly important to include the widest possible range of goods; this enables us to take differences in supply into account and largely equalize defects in ascertainment. We included a total of about 700 goods in our computation, roughly the same as the headings of the FRG cost of living index.

In many cases, GDR products are not up to average Western quality standards. To achieve the greatest possible comparability, we had to refer to the lower ranges in FRG supplies.

Differences in the availability of goods are basically not the object of a price comparison; they cannot be expressed in figures. Bottlenecks regularly occur in the GDR. Indeed, the excess demand for some high-quality products is just about permanent (passenger cars, color television sets, chest freezers). While the prices of such items would rise in the FRG in a comparable situation, no regulation by market conditions occurs in the GDR where consumer prices are fixed by administrative fiat. As a result purchasing power comparisons tend to overvalue the GDR currency.

In addition to prices, the composition of the goods and services purchased decides the purchasing power of a currency. As it is virtually impossible in studies of purchasing power to include all consumer goods, representative shopping baskets are assembled. Each item therein is taken into account proportionate to its share (or the share of the goods group it represents) in consumption generally. Due to the divergences in the consumption structure and, therefore, the shopping baskets, two separate computations are always needed for international purchasing power comparisons: One with the shopping basket of currency area A, one with that of currency area B. This procedure results in diverging consumer money parities. However, crossing of the shopping baskets (to yield mean values) allows us to summarize the findings.

A meaningful comparison presumes the most equivalent shopping baskets possible, reflecting consumption by similar social strata. The DIW computations refer to the average consumption by households which represent large population groups in each case: 4-person households headed by gainfully employed persons<sup>3</sup> and 2-person retiree households.<sup>4,5</sup> The content of the shopping baskets in the FRG as well as in the GDR was valued in terms of both D-Mark and GDR Mark prices.

For both types of households in the FRG, we extrapolated to the latest status the weighting system for 1976<sup>6</sup> used now by the Federal Office for Statistics to calculate the price indices for the cost of living by way of the results of the housekeeping account.<sup>7</sup> In addition some modifications were required for some item headings, because available GDR data are not always comparable.

The GDR has no such detailed weighting systems as are used in the FRG. The "Statische Jahrbuch der DDR" [GDR Statistical Yearbook] merely publishes a very crude breakdown of average household expenses.<sup>8</sup> We provide a farther reaching subdivision on the basis of various reports published in GDR technical literature, the consumption and supply statistics as well as data on popular consumption inclinations and habits.

#### Price and Consumption Structures

Disregarding a few exceptions, consumer prices in the GDR are standardized; they are fixed by administrative order--often without any reference to costs. A special feature of the price structure is the distinction between essential needs and other consumer goods. Consumption of essential goods and services (such as basic foodstuffs, public transport) is considerably subsidized, while almost all nonessential foods and the majority of technical consumer goods carry excise duties (indirect taxes), which may be quite high and make these items far more expensive than costs warrant. Services, on the other hand, are generally very cheap even if not subsidized. This is due to the low wage costs. Consequently we get sharp price differences by comparison with the FRG; at one extreme the GDR price (in GDR Mark) amounts to only 10 percent--example" Fares on local public transport--, at the other it is 10 times higher than the corresponding price in West Germany (in D-Mark)-- example: Digital watches.

In the past the GDR leaders were fairly successful in keeping prices level. The official GDR index of retail prices has been at 100 for several decades. At the same time price increases did occur, in particular when prices of altered products were raised more than the quality improvement warranted. On the whole, though, price increases were kept in limits. On the other hand, prices in the FRG have risen quite considerably. The principle of steady consumer prices in the GDR has been softened only since late 1979; essential goods and services have remained cheap, but higher quality goods have become vastly more expensive. A special type of price increases proceeds by the expansion of delicacy and luxury stores; these are retail stores selling high-quality imported merchandise (mainly from the West) and domestic products at prices up to 3-4 times higher than in normal outlets.

The system of household budgets are different in the two Germanies and, due to the lack of data from the GDR, could not be coordinated in detail. Consequently the distribution of spending on demand groups is not identical in the tables for the FRG and GDR. Direct comparisons are possible only for large groups.

Private consumption may be crudely divided into three groups of goods:

- Essential and nonessential foods,
- Industrial goods,
- Services.



Upon juxtaposition of the consumption structures of working and pensioner households, we note that retirees in both states spend proportionately more on essential and nonessential food and services and, therefore, less on industrial goods. However, the differences between the consumption structures in the international comparison are very considerable. The proportion of money spent on food is far greater in the GDR than in the FRG. That comes as a surprise because the cost of food in the GDR is kept down by substantial subsidies. Nonessential foods also carry far more weight in the Eastern weighting system, and so do industrial goods. That is due to the comparably higher prices of such goods in the GDR. The most serious differences, though, arise for services. As the result of very low prices and inadequate supplies, they account for only 14 percent of the consumption of workers' households in the GDR (excluding insurance, contributions, vehicle taxes), compared to 35 percent in the FRG (pensioner households: 18 percent and 45 percent respectively). The great weight of the service sector in the Western shopping baskets is caused mainly by high rents; but even when we exclude rents, the percentage of spending on services in both types of households is more than a third greater than in the GDR.

It should be generally noted that the shopping baskets in the FRG are much more overflowing than those in the GDR. This applies most of all to high-quality consumer goods. The items offered in the luxury and delicacy stores hold a very small share in GDR consumption; they have been taken into account in accordance with their presumed weight.

#### Price and Purchasing Power Ratios by Demand Sectors

Purchasing power parities inform us about the value ratio of currencies in relation to single items or, following proper weighting and combination, to groups of goods--or completely aggregated--to private consumption generally. In terms of computation, purchasing power parities represent the reciprocal values of the price ratios.<sup>9</sup>

In the sector of essential and nonessential foods, price differences are far greater in the GDR than in the FRG. For foodstuffs as a whole, the purchasing power of the GDR Mark exceeds that of the D-Mark. The same does not apply to all kinds of food, though. Prices of bread, potatoes and ordinary vegetables are particularly low; fish, meat products and sausages also cost less than in the FRG. On the other hand, the greater the requirements on range and quality, the more the price ratio shifts in favor of the D-Mark. That already holds true for top grade domestic vegetables and dairy products, it is even more evident with respect to canned goods, fruit juices, dried fruit and citrus fruit. In the stores and supermarkets of the state trade organization or consumer cooperatives, they are often carried in the luxury departments. Often they are obtainable only in special delicacy stores. When it comes to chocolate and good quality chocolate candy, GDR prices may run 4-6 times higher; hard candy and sugar, on the other hand, may be bought at prices 50-80 percent lower than in the FRG. Our calculations indicate that, generally, food bought for DM100 would require only M80-97, depending on the type of household and shopping basket. For a 4-person household the relative purchasing power of the GDR Mark was distinctly greater at 123 percent in terms of

consumption conditions in the GDR than at 103 percent in terms of consumption conditions in the FRG.

Purchasing Power Parities Between DMark and Mark of the GDR 1983<sup>1</sup> (calculated by the consumption structure in the FRG for selected types of households-- as percentages)

		(1)		(2)	
(3)		Vier-Personen-Arbeitnehmerhaushalt <sup>2)</sup>		Zwei-Personen-Rentnerhaushalt <sup>3)</sup>	
Ausgaben nach Bedarfsgruppen		Relative Kaufkraft der Mark der DDR 4)	Ausgabenanteile	Relative Kaufkraft der Mark der DDR 4)	Ausgabenanteile
		(4)	(5)	(4)	(5)
(6)	Nahrungs- und Genußmittel	95	27,4	91	33,5
(7)	davon: Nahrungsmittel	103	18,8	107	24,9
(8)	Genußmittel	57	5,1	48	5,9
(9)	Verzehr in Gaststätten	208	3,5	204	2,7
(10)	Bekleidung und Schuhe	43	8,1	42	5,6
(11)	Wohnungsmiete	484	16,0	482	22,8
(12)	Elektrizität, Gas, Brennstoffe	330	6,7	353	9,9
(13)	Haushaltsführung	56	9,3	68	8,4
(14)	Verkehr und Nachrichtenübermittlung	84	14,7	145	7,6
(15)	Körper- und Gesundheitspflege <sup>5)</sup>	94	2,8	123	3,5
(16)	Bildung und Unterhaltung	55	2,5	64	5,1
(17)	Persönliche Ausstattung, sonstige Waren und Dienstleistungen 6)	89	6,5	91	3,6
(18)	Lebenshaltung insgesamt	88	100,0	111	100,0
(19)	Lebenshaltung ohne Mieten	77	84,0	90	77,2

1) Stand: Jahresmitte.- 2) Vier-Personen-Arbeitnehmerhaushalte mit mittlerem Einkommen des alleinverdienenden Haushaltsvorstands.- 3) Zwei-Personen-Haushalte von Renten- und Sozialhilfeempfängern.- 4) Die Kaufkraft der Mark in der DDR im Verhältnis zur Kaufkraft der D-Mark in der Bundesrepublik.- 5) Ohne Dienstleistungen für die Gesundheitspflege.- 6) Uhren, Schmuck, Taschnerwaren, Urlaub und Reisen, Dienstleistungen der Versicherungen, Gebühren, Kraftfahrzeugsteuern u.a.

Quelle: Berechnungen des DIW.

Key:

1. Four-person working household
2. Two-person retiree household
3. Spending by groups of need
4. Relative purchasing power of the GDR Mark
5. Proportions of spending
6. Essential and nonessential foods
7. Including: Essential foods
8. Nonessential foods
9. Meals eaten outside the home
10. Clothing and shoes
11. Rent
12. Electricity, gas, fuels
13. Housekeeping
14. Transport and communications
15. Body and health care
16. Education and entertainment
17. Personal equipment, other goods and services
18. Total cost of living
19. Cost of living excluding rent

[key continued on following page]

Footnotes: 1) Status at mid-year.-- 2) Four-person households with the head of household being the sole earner (average income).-- 3) Two-person households consisting of social security recipients.-- 4) The purchasing power of the GDR Mark in relation to the D-Mark's purchasing power in the FRG.-- 5) Excluding services for health care.-- 6) Watches, jewelry, leather goods, vacations and travel, services of insurance companies, fees, motor vehicle taxes, and so on.

Source: DIW computations.

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Though beer consumption traditionally carries much weight in the two Germanies and beer prices in GDR Marks roughly correspond to the D-Mark prices, the relative purchasing power of the GDR Mark is low for nonessential foods generally, amounting to 5060 percent respectively depending on the type of household. Coffee costs 4 times more, wine and liquor at least twice as much, and better quality tobacco goods are also more expensive. Nonessential foods therefore account for a bigger slice of GDR household budgets. With the exception of beer they must therefore be considered definite luxuries in the GDR. The proportion of spending on nonessential foods as a whole as a whole is about double that in the FRG.

Eating out is remarkably cheap in the GDR. In this sector the GDR Mark buys about twice as much as the D-Mark. GDR restaurants are divided into several price classifications. Only in the luxury class do prices approach the average standard of the FRG (and that goes for the quality offered, too).

The expense sector rents, electricity, gas and fuels is distinguished by extremely low prices in the GDR, due to massive subsidies. The fixed prices of housing rentals are consistently observed. Rents for apartments in old buildings are still close to the prewar level, and rents in new buildings may not exceed the 1966 level. Rent payments amount to only 20-25 percent of the corresponding D-Mark amounts. Of course we were able only to compare rather loosely defined housing categories. Rates for electricity and gas have stayed the same in the GDR for the past 30 years. While GDR prices are standardized, prices in the FRG are much higher though declining per unit as consumption rises. The purchasing power of the Mark compared with the D-Mark amounts to just under 300 percent in the average. Spending on heating fuel is difficult to compare. In the GDR private consumers must almost exclusively rely on brown coal briquettes. They get a fixed amount at a preferential price on ration, greater quantities are available at a higher price but even this, at M3.60 per 50 kg, is only about 15 percent of the comparable price in the FRG. On the other hand, heating oil and gas account for the largest proportion of consumption in the FRG. The heating material was therefore converted into heat units (SKE), and the respective average prices per SKE (for specified quantities compared. The average purchasing power parity runs to 750-800 percent for the GDR Mark.

About one third of all spending on industrial goods in the GDR is accounted for by clothing, shoes, home furnishings and household linen. As prices in these groups of goods are much higher there than in the FRG, while the products must definitely be counted among basic needs, pensioner households in the GDR are compelled to spend 50 percent more of their income on clothing and

shoes, though their demands with regard to variety and quality are generally more modest. Only very few goods from these sectors are cheaper in the GDR, such as work clothes, plain underwear and children's shoes. Carpets and bed-linen cost the GDR consumer an average of 3 times more, curtains even more than that. The prices of kitchen towels, tablecloths and shoes are mostly double those in the FRG. Price differences are frequent even when we compare standard quality products; the margin is wider yet for high-quality goods. Fashion products are offered mainly in the luxury stores. Whenever items are more expensive as a consequence of the material used, the Mark's purchasing power against the D-Mark declines to 20 percent and below, for instance in the case of leather and cotton clothes, T-shirts, padded coats and knit jackets for women. Households with low incomes are adversely affected by this development. For the 4-person worker household and the consumption structure in the GDR, the Mark's purchasing power related to the D-Mark's purchasing power amounts to an overall 50 percent, related to the more varied consumption in the FRG to only 40 percent. In detail we get the following parities (FRG consumption structure):

- 65 percent for shoes,
- 40 percent for clothes
  - including 30 percent for outerwear,
  - 100 percent for underwear, and
- 35 percent for home furnishings and household linen.

The demand sector "housekeeping" is very heterogenous. It includes durable consumer goods such as furniture and high-quality household machinery, also heating and cooking appliances, lamps, electric irons, china and glassware as well as articles of daily consumption (cleaning materials and laundry detergents, candles, filter paper, nails and screws). Only some specially simple products in the china and glassware sector, for example, some kitchen appliances and traditional tools such as hammers, brushes and pincers are cheaper in the GDR than in the FRG. For china and glassware generally, the GDR Mark's rate to the D-Mark ranges from 135-155 percent, depending on the type of household. Furniture and major electrical appliances normally cost two or three times more than in the FRG. For the 4-person worker household (FRG consumption structure), the relative purchasing power of the Mark amounts to

- 45 percent for furniture,
- 75 percent for heating and cooking appliances,
- 35 percent for washers,
- 30 percent for refrigerators,
- 40 percent for other electrical household appliances.

Using the consumption structure of the FRG, we get a 45 percent relative purchasing power for these housekeeping products.<sup>10</sup>

The GDR price structure shows even wider gaps with respect to products used daily in housekeeping: Payment in Marks for simple cleaning materials and shoe polish currently amounts to less than 20 percent of the D-Mark price; for filter paper, nails and screws to 50 percent. Relatively new and modern

products, on the other hand, cost a lot more than those that have been on the market for many years. Plain detergents, flints and traditional dry batteries are slightly more expensive in the GDR than in the FRG. Aluminum foil, though, costs twice as much, laundry softeners and all-purpose cleaners three times as much in Marks than in D-Marks.

Individual transportation has quintupled in the GDR by comparison with 1960. Passenger car density (cars per 100 households) increased since 1976 by more than 50 percent, but--at 42--was still only just over half the 1983 density in the FRG. However, when we include motor cycles and mopeds, motorization in the GDR is only 20 percent below that in the FRG.<sup>11</sup> The Trabant is the most common car in the GDR. Despite less fancy equipment, it costs about 20 percent more than a small Western car; GDR residents need to pay 35 percent more for the Wartburg. Imported cars--not always available--cost twice as much as the comparable model in the FRG. For the 4-person worker household, the Mark's purchasing power with respect to cars must be calculated at about 35 percent of the D-Mark's, provided always we go by customer behavior in the FRG. In terms of the GDR's consumption structure, the Mark comes off slightly better, because the small Trabant carries more weight.

Due to the excessively long waiting lists for cars (the wait in the GDR may last 10-14 years, depending on the type) and also their high price, cars are kept much longer than in the FRG. That is why prices of spare parts and accessories are almost as important as the high cost of the original purchase. Items needed for keeping a car on the road are generally double the price in the GDR. Admittedly, though, the range is appreciable here, too. Traditional products are cheaper than modern ones. Fuel costs 15-20 percent more than in the FRG, motor cycles 50 percent more, cycles (except children's) almost twice as much. Related to the consumption structure of the FRG, the price relation for all goods for individual transportation amounts to 150 percent for worker households and, related to the GDR consumption structure, to 135 percent. Due to the lower incidence of car ownership, the values for pensioner households are lower also (140 and 130 percent respectively).

The education and entertainment group includes both high-quality and plain products. Counted in the first are radios, television sets and stereos, also photo and cine cameras (all costing 5 times more in the GDR), optical devices (about 3 times more), sport and camping equipment as well as toys (double the price). With a few exceptions, technical school and office equipment are also more expensive in the GDR, writing instruments and paper goods generally somewhat cheaper than in the FRG. Despite the growing shortage of paper, printed goods of all kinds are definitely cheap. Currently GDR households need to spend only 20 percent of the amounts charged federal citizens for their newspapers. Though, at 150 percent, the Mark's purchasing power with regard to books is still appreciable by comparison to the D-Mark, prices of science books, costly picture books, atlases and travel books as well as re-prints of historic examples of the book printer's art are approaching the high level usual in the FRG; in some few instances, indeed, this is already being exceeded. In general, the assortment in the GDR is comparatively limited. In 1981 almost 57,000 titles were published in the FRG, around 6,000 in the GDR. Of course average printings are much higher in the GDR than in the

After surviving several stages of approval proceedings, printed matter is variously subsidized in the GDR. The supply is by no means balanced. Often new editions and new publications by even internationally renowned GDR writers are available in surprisingly small quantities only.

Purchasing Power Parities Between the D-Mark and the Mark of the GDR 1983<sup>1)</sup>  
(calculated by the consumption structure in the GDR for selected types of households--as percentages)

		(1)		(2)	
(3)		Vier-Personen-Arbeitnehmerhaushalt 2)		Zwei-Personen-Rentnerhaushalt 3)	
Ausgaben nach Bedarfsgruppen		Relative Kaufkraft der Mark der DDR 4)	Ausgabenanteile (4)	Relative Kaufkraft der Mark der DDR 4)	Ausgabenanteile
(4)		(5)		(5)	
(6)	Waren	97	83,3	106	80,6
(7)	Nahrungs- und Genußmittel	118	40,6	115	49,5
(8)	davon: Nahrungsmittel	123	26,9	125	33,9
(9)	davon: Genußmittel	60	9,5	59	12,4
(10)	Verzehr in Gaststätten	217	4,2	215	3,2
(11)	Industriewaren	77	42,7	93	31,1
(12)	davon: Textilien, Bekleidung und Schuhe	48	14,1	45	11,6
(13)	davon: Schuhe, Täschner-, Sattlerwaren	63	2,9	61	2,1
(14)	Textilien und Bekleidung	44	11,2	41	9,5
(15)	Möbel	45	2,3	55	1,4
(16)	Haushaltswaren	88	2,0	89	2,1
(17)	Elektrotechn. Erzeugnisse	29	3,6	28	3,5
(18)	Übrige Waren	107	20,7	160	12,5
(19)	Dienstleistungen	282	14,4	303	17,9
(20)	Mieten	495	3,1	515	4,4
(21)	Strom, Gas, Wasser	308	1,8	333	2,3
(22)	Verkehrsleistungen	365	1,3	312	2,6
(23)	Kultur, Sport, Reisen	178	3,9	164	2,1
(24)	Reparaturen	202	2,2	210	3,0
(25)	Übrige Dienstleistungen	170	2,1	195	3,5
(26)	Steuern, Versicherungen, Beiträge	179	2,3	216	1,5
(27)	Lebenshaltung insgesamt	125	100,0	143	100,0
(28)	Lebenshaltung ohne Mieten	113	96,9	127	95,6

Key:

1. Four-person working household
2. Two-person retiree household
3. Spending by groups of need
4. Relative purchasing power of the GDR Mark
5. Proportions of spending
6. Goods
7. Essential and nonessential foods
8. Including: Essential foods
9. Nonessential foods
10. Meals eaten outside the home
11. Industrial goods
12. Including: Textiles, clothing and shoes
13. Including: Shoes, leather goods and saddlery
14. Textiles and clothing
15. Furniture
16. Household goods
17. Electrical engineering products
18. Other goods

[key continued on following page]

19. Services
20.       Rents
21.       Electricity, gas, water
22.       Transportation
23.       Culture, sports, travel
24.       Repairs
25.       Other services
26. Taxes, insurance, contributions
27. Total cost of living
28. Cost of living excluding rent

Footnotes: 1) Status: mid-year.-- 2) Average of all four-person working households.-- 3) Two-person retiree households without earned income.-- 4) The Mark's purchasing power in the GDR in relation to the D-Mark's purchasing power.

Source: DIW computations

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Related to the consumption structure in the FRG, the GDR Mark's purchasing power for the group education and entertainment generally amounts to only 55 percent for worker households and 65 percent for retirees. These values are somewhat greater if we use the GDR consumption structure for the comparison.

As for body and health care, body care products cost an average of 50 percent more in the GDR, health care products on the other hand an average of 50 percent less than in the FRG. Depending on consumption structure and type of household, therefore, the Mark's purchasing power for this group of goods fluctuates between 65 percent and 100 percent. The GDR shopping basket includes fewer relatively expensive consumer goods for body care such as good soap, bath additives and hair spray. Standard products predominate in the GDR assortment of both body care and medicaments.

In addition to watches and jewelry, personal equipment includes other merchandise such as attache cases, suitcases, tobacco pipes and lighters. Watches are available in large quantities, and the selection is good. However, even quite primitive items such as alarm and kitchen clocks often cost more than twice as much as comparable products in the FRG. Modern watches are even more expensive. Altogether the price relation is exceptionally high for the goods group watches generally, even if we take into account the turnover structure in the GDR (featuring far more mechanical watches), and this applies to all types of households. Price differences are not nearly so pronounced with respect to other items of personal equipment. For the 4-person worker household the relation calculated by the GDR consumption structure is 130 percent, calculated by FRG consumer behavior 150 percent. The respective values for retiree households are in between these two.

Regarding the sector of industrial goods as a whole, we may summarize our findings by saying that the assortment on offer in the GDR has continued to improve as to range and quality. However, in the case of relatively modern, often also technically different products, output is still geared toward the satisfaction of medium-range demand; top quality products meeting international criteria are still relatively scarce. For new goods (high-quality major

household appliances, photographic and cinematographic cameras, optical devices, radios, phonographs and television sets) the relative purchasing power of the Mark at only 25 percent visavis the D-Mark is definitely lower than for standard merchandise traditionally produced in the GDR. Consumption taxes (product-related imposts) lead to this result that is highly unfavorable to the GDR consumer. Despite the high prices, demand for these products is quite high. A comparison of purchasing powers of Marks and D-Marks respectively yielded a more favorable result in the case of remarkably few industrial products: Health care items, books, newspapers, periodicals, paper and writing aids. In contrast to the technically more challenging industrial goods, products suitable for average Western requirements are often lacking.

Prices of most services are appreciably lower in the GDR than in the FRG. Services tend to be labor intensive, and the low wage level in the GDR provides the prime explanation for the price difference. Another important factor in many cases are subsidies. Though services (public transport, education and culture) are subsidized in both Germanies, the GDR uses subsidies to a greater extent. The comparison is to some degree invalidated by the fact that the capacity of repair workshops, gas stations, cleaners, hotels and other facilities in the GDR is small by comparison with Western standards.

Due to the lesser and very expensive operation of private cars, the services of public transport are used far more in the GDR than in the FRG. Large subsidies for public transport keep fares low. On the average ticket prices meet less than half the costs. Though subsidies are high in the FRG, too, so is the level of wages; consequently total costs far exceed those in the GDR. By comparison with fares in the FRG (sharply risen in the course of time), prices in GDR commuter traffic amount to only 20 percent (average), fares in longdistance travel 30-40 percent. For taxis and flights, the price relation amounts to about 30 percent each. The average cost of transport services generally is between 25 percent and 30 percent for all types of households.

Mail rates like fares have not been changed in the GDR for many years--in contrast to the FRG. Depending on the shopping basket, the services of the communication system require between a third and half of the corresponding expenditure in the FRG (average), slightly more in the case of telephone charges (mean value: 55-60 percent, for local coin box calls the prices are actually the same--0.20 and DM0.20). Few households in the GDR have their own telephones. GDR prices are much lower for other postal services (mean value: 20 percent). A standard inland letter, for example, still costs only M0.20 (FRG: DM0.80).

An important group of services in the household budget is represented by culture, education, sport, entertainment and travel. Tourism is on the rise in the GDR also due to rising incomes, adequate vacations and growing motorization. The tourism rate (vacationing tourists per resident) does not differ much in the two Germanies. However, while more than half all West German vacationers travel abroad, inland tourism predominates in the GDR. Very important there is the vacation service of the labor union and enterprises; both organize vacations at a charge of 30 percent or less of the actual costs.



Independent travel, on the other hand, is rather difficult due to the extreme shortage of overnight accommodation. It is also subject to far greater costs. Short trips organized by travel agencies are almost as expensive as in the FRG, prices of travel to Eastern Bloc countries twice as costly. An exception are prices for trips to the Soviet Union and Bulgaria; but even these are almost 33 percent higher than those payable by federal citizens. Most GDR citizens still are not allowed to travel to the West. Also below the average of the FRG are all other consumer prices of this group (some of them considerably so): GDR citizens pay fees amounting to less than 10 percent of equivalent charges in the FRG for kindergardens, tuition at colleges costs one seventh, entrance tickets for sporting and cultural events are 50 percent cheaper. Television (2 programs) and radio fees are lower by 40 percent and 60 percent respectively, and retirees in the GDR are exempted from all such fees. Compared to Western prices, we calculate a relation of barely 60 percent for the entire group and GDR households, and one of not quite 90 percent in relation to the West German shopping baskets; reflected here is the greater impact of foreign travel.

As the standard of living rose, the demand on services has increased in the GDR also. The long neglect of building and apartment repairs, the increased equipment with durable household appliances and growing motorization are causing permanent bottlenecks in the supply of repair services. As for most services, official (average) prices for them are only half those in the FRG (the exceptions are photographic work on color film). On the other hand, (building) repairmen are often unavailable for legal transactions; gray markets flourish in this sector.

Insurances, fees and motor vehicle taxes are definitely cheaper in the GDR (with the exception of private car taxes). On the average the services of this group cost 50 percent less than in the FRG.

#### Summary of Results

The above computations indicate that the price relations for similar goods and services range very wide between the FRG and the GDR:

- Far below the West German level are prices of essential goods and most services.
- Far more expensive are nonessential foods, better quality and well designed goods, durable consumer goods and new technical developments.

As a consequence of the differentiation of prices, the mean purchasing power of the GDR Mark declines by comparison with the D-Mark as soon as incomes rise and customers are more discriminating. The Mark's purchasing power parity therefore deteriorates when the comparison is based on the FRG shopping basket which offers a more abundant selection. Consonant with this basic trend, the Mark's purchasing power is greater for the more modest shopping baskets of retiree households than for the shopping baskets of worker households. Still generally valid is the assertion that the purchasing power of the domestic currency is greater with respect to the domestic shopping basket than to any other [Ophelimitaetsmaximum - unexplained].

Relative to the GDR consumption structure, the average purchasing power of the GDR Mark for a 4-person worker household amounts to 125 percent of the purchasing power of the D-Mark; in other words in mid-1983 the same goods and services cost 25 percent more in the FRG than in the GDR. Relative to the Western shopping basket, on the other hand, the GDR Mark's purchasing power was only 88 percent--appreciably lower. In fact the result is affected by the very low rents prevailing in the GDR. Excluding rent payments, the relation would amount to only 113 percent for the GDR household (instead of 125 percent), and using the FRG consumption structure only 77 percent (instead of 88 percent). Parities are more favorable to the GDR Mark with respect to retiree households; for the FRG shopping basket they amount to 111 percent (excluding rents: 90 percent), and for the GDR shopping basket to 143 percent (excluding rents 127 percent).

Purchasing Power Parities Between the DMark and the Mark of the GDR 1983<sup>1)</sup>

Expenditure by Demand Group	Relative Purchasing Power of the GDR Mark <sup>2</sup>	
	Four-Person Worker Household	Two-Person Retiree Household
Total	Percentage	
Consumption structure in the FRG	88	111
Consumption structure in the FRG	125	143
Crossing the shopping baskets	107	127

1) Status: Mid-year; -- 2) The purchasing power of the GDR Mark by comparison with the purchasing power of the D-Mark.

Source: DIW Computations

By taking into account different types of households and consumption structures, we get some idea of the extent of the difference in purchasing power parities. The mean value obtained from both consumer money relations (crossing of the shopping baskets) is 107 percent for worker households and 127 percent for retiree households. The GDR Mark's purchasing power, therefore, is higher in both cases than the D-Marks, just under one fifteenth and slightly above one quarter respectively. Some problems arise, though, when the results are reduced to two parities, because there is a considerable spread between the relations used to obtain the average values.

A comparison with the DIW study for 1981 shows that the Mark's purchasing power vis-a-vis the D-Mark has risen in most consumption sectors. Improvements

to the benefit of the GDR Mark were not confined to subsidized essential goods and services. Some were also recorded for industrial products (mostly subject to indirect taxes). It seems that the leap in prices of higher-quality goods, initiated in the GDR following the change in consumer price policy at end 1979, did not continue to the same extent in recent years. The result is of course also affected by price rises in the FRG. Shifts in the structure of the shopping baskets are also likely to have had some effect.

Compared with the computations for 1981, the relations of the crossed shopping baskets have relatively improved in favor of the GDR by about 10 percentage points;<sup>12</sup> the rise was not so pronounced for workers as for retirees. The long-term trend in favor of the GDR Mark has thus continued; it had been temporarily interrupted after the price hikes in the GDR around 1980.

Of course the computed purchasing power parities of the currency units must not be used to arrive at conclusions about a corresponding standard of living. The availability of goods is an important factor: Supply shortages are still much in evidence in the GDR. Decisive for the standard of living--insofar as it depends on private consumption--are incomes as well as prices and availability. The level of incomes is far higher in the FRG than in the GDR. That gap is substantial even when we adjust incomes by purchasing power.

#### FOOTNOTES

1. See "The Purchasing Power Ratio Between the D-Mark and the Mark of the GDR in Mid-1981," edited by Charlotte Otto-Arnold and Heinz Vortmann, DIW-WOCHENBERICHT No 3/1982, pp 49ff.
2. For details see: Charlotte Otto-Arnold, "The Purchasing Power Ratio Between D-Mark and Mark (GDR)," DIW Special Issue No 129/1979.
3. In the FRG: 4-person employee households with average income range of the head of household as sole earner. In the GDR: 4-person blue and white collar worker household with average net household income.
4. In the FRG: 2-person households of retirees or social aid recipients. In the GDR: 2-person retiree households with average net household income without earnings.
5. The two household types in the FRG are below the average of the respective groups of all 4-person employee households or all 2-person retiree households in terms of income and consumption.
6. See "Weighting Systems of the New Price Indices for the Cost of Living Based on 1976," WIRTSCHAFT UND STATISTIK, No 11/1979, pp 797ff.
7. See "Incomes and Spending of Selected Private Households 1982," issued by Federal Office for Statistics, Stuttgart and Mainz 1983, Special Series 15, No 1 (economic computations).

8. See "1983 GDR Statistical Yearbook," pp 279ff.
9. If, for example, the same consumer item costs M150 in the GDR and DM75 in the FRG, the price relation is 200 percent (DM price = 100), and the reciprocal value the Mark's purchasing power compared with the D-Mark--amounts to 50 percent (D-Mark = 100); in that case the value of the Mark is only half that of the D-Mark.
10. In divergence from the relations in the table, services are left aside here.
11. See "GDR Private Transport Continues To Grow," edited by Rainer Hopf, DIW-WOCHENBERICHT No 15/1982, pp 197ff.
12. For this new computation, the sector taxes, insurance and contributions in the budgets of GDR households has been changed. To produce complete comparability, the 1981 results were appropriately adjusted.

11698

CSO: 2300/453

ORDER DEFINES PERMISSIBLE IRRADIATION OF FOODSTUFFS

East Berlin GESETZBLATT DER DEUTSCHEN DEMOKRATISCHEN REPUBLIK in German Part I No 11, 19 Apr 84 pp 151-152

/"Order on the Treatment of Foodstuffs and Essential Commodities With Ionizing Radiation of 21 Mar 84," signed by Prof Dr L. Mecklinger, minister of health/

/Text of Order/ Based on the foodstuffs law of 30 November 1962 (GB1 I No 12 p 111) and in agreement with the central state organs involved, the following order is issued:

Par 1

- (1) The order covers treatment of foodstuffs and essential commodities with ionizing radiation (subsequently referred to as radiation treatment) with an energy dose from 0.5 Gy (50 rd) to 50 kGy (5 Mrd).
- (2) The stipulations in the radiation protection order of 26 November 1969 (GB1 II No 00 p 627) and in the first executive provision of 26 November 1969 of the radiation protection order (GB1 II No 99 p 635) are not affected by this order.
- (3) The use of ionizing radiation for measurements and control purposes, and also for laboratory purposes is not affected by this order.

Par 2

- (1) According to Par 1 Sec 1, enclosed sources of ionizing radiation and radiation equipment with a photon energy of up to 5 MeV (X-ray or gamma radiation) or accelerated electrons up to 10 MeV can be used for radiation treatment. The use of neutron irradiation is prohibited.
- (2) The dose of energy provided for radiation treatment must be limited to the absolutely required amount in accordance with the goal of the treatment.
- (3) The foodstuffs and essential commodities provided for radiation treatment must correspond to the regulations in pars 6 and 9 of the foodstuffs law.

(4) Foodstuffs and essential commodities may be subjected to only a single, one-time radiation treatment unless the permit according to Par 4, Sec 1 contains other provisions.

(5) The radiation treatment must be carried out in such a manner that at least 97.5 percent of the product to be irradiated receive the permissible energy dose per unit mass within the respectively specified limits.

#### Par 3

(1) In the framework of independently responsible hygienic activity, the appropriate irradiation of foodstuffs and essential commodities must be documented by dosimetric controls, according to the first executive provision of 30 April 1963 of the foodstuffs law--independent controls and steady improvement of hygiene in the foodstuff industries--(GBI II No 42 p 278).

#### Par 4

(1) The radiation treatment of foodstuffs and essential commodities, and also the importation of irradiated foodstuffs and essential commodities require a permit from the minister of health.

(2) Permit applications for radiation treatment and also for the importation of irradiated foodstuffs and essential commodities are to be sent in two copies to the Bezirk-Hygiene Inspection in Schwerin, Reference Laboratory for Foodstuffs Irradiation, 2756 Schwerin, Bornhoevedstrasse 78.

(3) The application for the radiation treatment of foodstuffs and essential commodities must be accompanied by:

1. An explanation of the necessity for radiation treatment,
2. Data on the goal of the irradiation and a description of the procedure including data on the mean energy dose absorbed by the product and also on the limit values of the dose fluctuation,
3. Certificates proving that no health hazards exist when using energy doses of 10 kGy (1 Mrd) or more,
4. Estimation of the hygienic condition and quality of the irradiated product,
5. Declaration of the amount expected to be irradiated,
6. Description of product packaging,
7. Complete description of the product,
8. A sample of the product adequate for examination and evaluation.

(4) The application for a permit to import irradiated foodstuffs and essential commodities must be accompanied by a sample of the product adequate for examination and evaluation, and also data on the amount to be imported, and data according to Sec 3 Nos 3, 6 and 7.

(5) For applications according to Secs 3 and 4, additional opinions and data can be requested if required.

(6) The permit is issued by the minister of health with the required conditions for the permit based on the results of testing.

Par 5

(1) In addition, irradiated packaged foodstuffs must be marketed with a permit number from the ministry of health, in accordance with the 14 November 1975 order concerning the commercial labelling of foodstuffs (Gbl I No 47 p 764).

(2) If the fraction of irradiated foodstuffs is less than one-tenth in the packaged foodstuff, no additional marking is necessary.

(3) Irradiated foodstuffs destined for further industrial processing must have the following data on their delivery papers:

1. "Irradiated" including data on the mean energy dose absorbed,
2. Data of irradiation,--decoded
3. Official number,
4. Permit number.

(4) Imported, irradiated foodstuffs destined for further industrial processing must have, on their delivery papers, at least the data according to Sec 3 No 1.

Par 6

This order becomes effective on 1 June 1984.

Berlin, 21 March 1984

The Minister of Health  
OMR Prof Dr med sci Mecklinger

2473

CSO: 2300/442

LABOR UNION GOALS, POLICY IN TWO GERMANY'S COMPARED

Munich SUEDEDEUTSCHE ZEITUNG in German 9 May 84 p 4

[Article by H. Lolhoeffel: "Where the Fight for the 35-Hour Workweek Is Not Discussed"]

[Text] Almost nothing can be heard or read in the GDR news media about labor's fight for a 35-hour week. Any information about this is left to those Western radio and TV stations whose transmissions reach the GDR. The key words "35-hour week" appear in SED [Socialist Unity Party of Germany] press reports only sporadically and in obscure form. Most often the general discussion is about protests and militant actions of Western trade unionists "against unemployment, reductions in social services, and the accelerated arms build-up."

Last week GDR residents could thus read the following item: "The militant action (of the metal workers and printers-and-paper workers union [IG Metall and IG Druck und Papier] is aimed at creating additional jobs by shortening the workweek in order to reduce massive unemployment." The magic number 35 never appeared in the report of the official news agency ADN. The GDR media had also carefully refrained from making precise references or comments on the substantive and social demands of Western trade unions during earlier strikes.

The reason for this restraint is obvious: Though workers in the "Workers and Farmers State" have had a five-day week since 1967, most of them must still work 43 and 3/4 hours; shift workers and mothers with more than two children work 40 hours. The basic vacation time in the GDR is 18 days per annum; additional vacation time raises it to 21 days for most, and 24 days for some. There are no regular pay increases. Between 1980 and 1983 the average monthly gross income for all workers and employees increased from 1,030 marks to barely 1,100 marks. This increase of about 7 percent was swallowed up by higher prices for consumer goods, clothing, and other merchandise.

Even though it was already proclaimed during the KPD-SPD unity convention of 1946 that the SED demanded an 8-hour workday, shorter working hours are still a long way off. The GDR labor law gazette of 1977 states in paragraph 160: "The policy of the socialist state continues in paragraph 160: "The policy of the socialist state continues to strive for the gradual transition to a 40-hour workweek through shorter daily working hours without reductions in pay, while



retaining the five-day workweek." This was followed, however, by the proviso that it would occur "in accordance with the rate of progress of socialist production;" and this progress happens to be very slow. Even though the national income increased at considerable rates, ranging from 3 to 5 percent, productivity of labor in the centrally directed state enterprises of the GDR is about one-third lower than that of comparable figures for the Federal Republic, as was acknowledged by highest authorities in East Berlin.

In order not to encourage unrealizable expectations, SED Secretary General Erich Honecker cautiously indicated during a recent interview with "in the long run" scientific-technological advances will make it possible "to shorten working hours without reductions in wages." He did not mention a date, even though long-range economic planning must after all consider such factors.

For the time being the majority of the 8.8 million working people in the other German state have to accept a continuation of the 40 and 3/4-hour workweek. Moreover, there is even a call for shift work, especially among women, although Karl Marx--the authority communists usually rely on--wanted to eliminate shift work already 100 years ago because it represented an especially reprehensible form of capitalist exploitation. The chief economists in East Berlin have calculated that machines in high-productivity installations should optimally run around-the-clock to assure profitable operations. Even though more and more shift workers can enjoy a 40-hour week as a result, they must pay the price of suffering the disadvantages of shift work. The Free German Labor Union [FDBG] in the GDR not only propagates shift work, but is also making efforts to reduce sloppiness and dawdling in factories. There are no demands for a shorter workweek in the current program of the FDBG. Instead, such slogans as "Work Time Is Production Time" are issued.

Even though the GDR media avoid using the provocative phrase of a 35-hour week, the people are fully aware of the reasons and objectives of the strike in the Federal Republic. The desire for more leisure time is universally very pronounced. Nevertheless, the response of a great many GDR residents to the demands of the West German unions ranges from skepticism to incomprehension. The opinion is frequently voiced that the employers would recover the higher cost of labor by "even more rationalization," thereby further increasing the number of unemployed. However, some GDR citizens have figured out that further acceleration of rationalization in their own country would make decreases in the workweek unavoidable if full employment were to remain assured.

In his book "Into the Next Century--What Can We Expect?" [Ins naechste Jahrhundert--was steht uns bevor?] the East Berlin author Erich Hanke writes that he could imagine "a gradual transition (within communism) to a four-day week or a 30-hour week." But this, one must assume, is music of the future. As long as the GDR economy must seek to catch up and eliminate structural deficiencies, significant reductions in work time cannot be considered. Discussions and rumors about lowering the retirement age keep popping up again and again, but are probably born of the widespread wish that earlier trips to the West would then also become possible.

12628

CSO: 2300/475

PLANNING OFFICE STATE SECRETARY WRITES ON ENTERPRISE PLANNING

Budapest PARTELET in Hungarian No 4, Apr 84 pp 10-14

[Article by Janos Hoos, state secretary of the National Planning Office: "National Economic and Enterprise Planning"]

[Text] Enterprise planning is connected very closely with the macroeconomic management system's specific mechanism and, within it, with the interpretation and expandability of the planning system and enterprise independence, and with the possibilities of their further development. We could also regard enterprise planning simply as an internal affair of each enterprise, for in principle the enterprises are planning independently and are able to organize their system of internal management and incentive system as modernly as possible. Although this possibility does exist in principle, in itself it does not really mean much, for a variety of objective and subjective reasons. Several contradictions of macroeconomic management manifest themselves fairly sharply in practice.

It has become obvious that enterprise planning can be reformed only as a part of a comprehensive process of further development that is inseparable from modernizing the system of national economic planning, respectively the entire macroeconomic management system. If we assume further favorable modifications in the system of macroeconomic management--definite measures in this direction have been adopted lately--then significant changes appear necessary basically in the following areas:

1. In the relations that develop between the macroeconomic managing organs and the enterprises in the course of planning, in enterprise planning's set of "external" conditions; and
2. In modernizing the content and methods of enterprise planning.

These two areas are closely interdependent. To a large extent it is up to the enterprises to perfect the methods of planning, to extensively apply the proven methods, to organize planning more demandingly, and to let the qualitative characteristics and democracy of planning unfold. But for the enterprises to employ all this in their own interest presupposes between the state and the enterprises a system of relations that provides better guidance and more compulsion to manage efficiently, strengthens the market mechanisms, broadens the enterprises' independence and makes them more accountable for their economic activity.

I. It is common knowledge that there was no meaningful independent planning at the economic organizations prior to the macroeconomic management system's 1968 reform. The economic organizations' planning was a part of national economic planning: they partially prepared the national economic plan's decisions, supplemented the plan's objectives and, to a limited extent, submitted proposals regarding these objectives. In the final outcome, the economic organizations' planning implemented command planning.

The reform--unquestionably in its principles, and in many instances also in practice--essentially provided a suitable framework within which responsible and independent enterprise planning could develop.

According to the adopted principles, now the basic task of the enterprises and cooperatives (taking into consideration the effects of the system of regulation tailored to the national economic plan's objectives, responding to these effects amidst the economic conditions determined by the market relations, and fulfilling the national economic plan's decisions that applied to them directly) was to conduct profitable economic activity independently and in accordance with their own interests, and to prepare their plans as the basis of their economic activity, in the interest of achieving their own objectives.

The macroeconomic management system's reform has contributed toward reinforcing the favorable substantive features of planning, and toward improving the quality of planning and analysis, primarily in those areas of the economy where both the external and domestic conditions demanded strategic thinking and the application of modern planning and management methods closely linked to such thinking.

As can be observed everywhere in the world, the enterprises that are exposed to stiff market competition and must operate under conspicuously difficult marketing conditions will respond to the growing pressure, in the interest of their own "survival," by studying the market, forecasting the foreseeable development of their profitability, and preparing the strategic and tactical decisions for successful adjustment, with ever greater circumspection. This trend can be identified also in the Hungarian enterprises' planning practice. In spite of the demonstrable progress, however, the domestic practice of enterprise planning has numerous negative features. These weak spots do not stem simply from the inadequate training of the planning experts or the feebleness of enterprise management (although these too are contributing factors in some instances). Rather, they are connected in various ways with the manner in which the entire system of macroeconomic management functions.

During the past 15 years, the practice of macroeconomic management did not assert consistently the principles of the 1968 economic reform; the assumption failed to materialize that the enterprises, under the economic environment's growing pressure, would have an incentive to uncover as fully as possible their developmental reserves and possibilities, and to organize and operate their management efficiently.

Economic regulation and the market conditions often did not exert sufficient pressure, or not in the right direction, on the enterprises' management. Many central decisions also were adopted that undermined or neutralized the

favorable effect of the regulators. In some instances such decisions did not even let the indirect regulators to evolve.

In their sum, then, the set of conditions for the enterprises' operation, and the enterprises' incentive based on this set of conditions, did not become sufficiently efficiency-centered at a time when there was great need to uncover and utilize the reserves of efficiency.

In the mid-1970's, a practice--now recognized as improper--became widespread under which the macroeconomic managing organs reviewed as a kind of "jury" the enterprises' plans, and the "plan jury" actually became the forum that approved these plans. This practice sharply limited the enterprise management's accountability for the decisions expressed in the plans, and for the favorable and unfavorable consequences of these decisions. The supervising organs, and occasionally the local party organizations as well, rated the enterprises' economic activity and management essentially on the basis of these plans alone.

Under these conditions the enterprises--partially out of necessity, and partially because they adjusted to the macroeconomic management system's rules of operation, which for them were given and could not be changed--often prepared their plans "upward," in a concept such that the expectations could be met only with the granting of specific preferences, with special regulation tailored to the peculiarities of the given economic organization, or with investments based on state subsidies. "Plan bargaining" was again revived, with all its harmful consequences.

From the lessons of the consultations with enterprise experts it can be established that there developed also the view which held that it was expedient to accumulate the expectations from above as well as from within (for example, the rate of wage increases that the trade union regarded as desirable) in such a way that everyone would recognize his own idea regarding the development of a particular indicator that he considered as important, and then to write on the document created in this manner: "This is the enterprise's plan." Such a document might be called some sort of "plan-like" formation, but it does not have much in common with a real plan that the enterprise could in effect accept as its substantiated long-, medium- or short-term program. This way the better enterprises had even two or three "plans" for the same period. They prepared one plan for the ministry, another one for the bank, and a third one for themselves but carefully kept it secret from everyone else.

In these circumstances, enterprise planning "derived" from the national economic plan proved an easier task for the chief executive of many an enterprise. In many instances the enterprise chief executives themselves suggested to their supervising agencies the expectations with which they would be able to substitute the market's value judgment or to ensure special preferences for their enterprises.

However, the quality of enterprise planning may leave much to be desired not only for external reasons, but also for internal reasons that are within enterprise management's control. At many enterprises the traditional approach to planning prevails (it reduces enterprise planning to the preparation of a plan in the above sense), and modern planning procedures are still not being used

extensively, due in part to shortcomings in the planning experts' training, and in keeping them well informed.

We have not created sufficiently stimulating and compelling economic conditions for enterprise planning to be regarded as a part of independent enterprise management, as an activity that aims to ensure the efficient operation of the enterprise as a whole and elaborates the actions that will enhance the realization of these objectives. Yet, specifically this is the essence of planning.

The principle must be asserted consistently also in the future that enterprise planning and enterprise plans are influenced substantively through the system of economic regulation (in addition to the decisions that are specified in the national economic plan and directly affect the activity of certain enterprises), and that administrative instruments may be employed only in exceptional cases. Macroeconomic management by the state must abandon the practice that regards enterprise plans, or the mechanisms linked to these plans, as instruments of supervisory control.

The fact that the sharply worsening external economic conditions have necessitated since 1982 a temporary increase of the restrictions on enterprise activity, and of the scope and methods of direct state intervention, is not in conflict with these requirements. The restrictions (among other things, stricter and more centralized import control, the temporary system of reference quotas, and expansion of the scope of direct enterprise agreements to boost export) have proved necessary for improving external economic equilibrium, which has priority over all other economic objectives. But it has likewise become obvious that to employ for an extended period of time the administrative control of economic processes would lead to distortions in the entire system of macroeconomic management--and accordingly also in the practice of enterprise planning--and in the long run would prevent the Hungarian economy from adjusting to changes in the world market. The outlined modernization of enterprise planning can be implemented only after lifting the temporary measures introduced in 1982, and only on the basis of the conditions of the macroeconomic management system's comprehensive further development.

II. It will be expedient if the macroeconomic managing organs--recognizing the independence of enterprise planning and supporting its development--provide also policy and practical guidance on certain questions, and aid in the nature of recommendations. But the managing organs may neither call to account nor check the implementation of such recommendations. This is a necessary condition for guidance to be what it should be: it should not aspire to replace, supplement or determine enterprise planning.

In the following I would like to demonstrate, on a few important areas affecting the direct planning relations between macroeconomic management and the enterprises, what kind of changes the consistent observation of the principles outlined above would require in practice.

--Under the present practice, two kinds of methodological guidelines aid enterprise planning for the period of a medium-range national economic plan: the directives of the National Planning Office, and the recommendations of the branch ministries, both issued once every five years. It would be expedient

to develop further their content and nature in agreement with the basic principle that it is the task of the enterprise to choose the planning methods that best suit its specific conditions.

On the other hand, it seems warranted to organize the utilization of international and proven domestic experience and to make it available, in the form of general methodological recommendations, translations, other publications, by organizing conferences, or by using other suitable forms.

--More complete, comprehensive and meaningful information must be made available to the enterprises than up to now, to provide an effective basis for their own planning. The acquisition of such information is partially the task of the enterprises, but partially it is also the macroeconomic managing organs' task to comprehensively brief the enterprises. The managing organs must provide for the enterprises information of the type that the enterprises themselves are unable to acquire for objective reasons, but which is indispensable to the enterprises for clarifying and substantiating their intentions and for formulating them in their plans.

It is warranted to broaden the information-providing activity of the other functional organs as well: for example, broader information must be provided regarding the foreseeable development of world-market prices, and the situation of the external economy, foreign market and partial markets; information must be provided on the principal directions of price policy, the forecasts of the price level's development, exchange-rate policy, on essential changes in fiscal policy and the system of regulation, on the foreseeable directions and main trends of technical and technological development, etc.

The information system can be made more flexible if the enterprises or their groups--for example, through the Hungarian Chamber of Commerce or the cooperatives' federations--may propose that the competent public administration or other organs organize briefings or consultations on the organizational, regulation and other questions of interest to them.

--On the basis of experience, future consultations on the drafts of the enterprises' plans should be organized more sensibly than at present, in agreement with the general principles of consultation. Since the purpose of the consultations is the better substantiation of the enterprises' own plans, and this is primarily in their interest, it would be reasonable to let the enterprises organize these consultations in the future, and to determine their content and the circle of participants. There should be mandatory consultations, ordered by the state organs, only in exceptional cases (for example, on the preliminary investment concepts of enterprises participating in the drafting of the national economic plan, or on the problems of an enterprise that has a paucity of capital or is operating at a loss).

The practice has become outdated under which the managing organs required a copy of every enterprise's plan without exception; macroeconomic management can obtain meaningful information not from such plans, but from regular business-cycle and market analyses, and from systematically analyzing enterprise behavior and enterprise incentives.

It is necessary to realize also that the scope, content and indicators of the planning information occasionally requested about the enterprises' plans are not identical with the enterprise plan itself, and no enterprise is answerable to the managing organs for their fulfillment.

Exploration of the enterprises' intentions and thinking presupposes that the central planning organs exclude the relationships of subordination when they want to obtain information about the enterprises' aspirations. The central planning organs commission research institutes to prepare analyses, and they utilize the information that can be gained from available sources.

--The principle must be asserted more strictly and consistently that evaluation of the enterprise's planning process, its quality, and of the enterprise plan's fulfillment is the task, responsibility and internal affair of the enterprise, with the participation of its worker collective. But evaluation of the enterprises' operation--as a part of state guidance and supervision--must be based on the overall quality of the given enterprise's operation. Naturally, state supervision must continue to check whether the given enterprise has fulfilled the tasks and instructions that the state plan or possibly other state regulations set for it. If the enterprise has not fulfilled them, then its executives can be held accountable, and various sanctions may be employed against them.

Better substantiation of the national economic plan presupposes the wide participation of the economic organizations, and of their interest groups, in national economic planning. The central planning organs are able to obtain more direct and more detailed information through such participation; and the enterprises, primarily the larger ones, have also a direct opportunity to help formulate the common economic policy of the national economic and enterprise plans.

The enterprises' participation in national economic planning may differ in its nature and form, but its purpose is always to gain and provide information, including the elaboration of proposals for government decisions with a direct bearing on the enterprises' activity, and the mutual debate and utilization of ideas. Modernization of the relationship between national economic and enterprise planning, the unambiguous formulation of the objectives and tasks, and perspicuity are essential because they involve a fundamental issue of economic planning. This relationship perhaps best reflects the state and quality of enterprise independence at any given time. Since ours is a planned economy, not only the national economic plan but also the enterprise plan determines the scope of economic activity; resolution of the contradictions and elimination of ambiguous practices are essential to encourage entrepreneurial behavior and to broaden independent and accountable economic activity. The modernization of planning can contribute in a large extent toward the more and more consistent realization of the economic-policy objectives, toward the meaningful influencing of the real economic processes.

CURRENT, UNFAIR BANKRUPTCY LAWS NEED REVISION

Budapest HETI VILAGGAZDASAG in Hungarian 12 May 84 pp 4-6

[Text] Whether or not we want it, in the next few years a good number of unprofitable or bankrupt firms and cooperatives will have to be shut down in Hungary. It is imperative, that better laws be developed, specifying: who has the right to order the liquidation of a firm; what guarantees are there regarding the handling and sales of assets; and how the needs of the creditors of the liquidated firm can be met. Only predetermined rules should give liquidated firms a "last chance." These rules should prevent the firm from abusing this last gasp.

The recent liquidation of a domestic state firm, the first in decades, generated conflict and raised doubts of all types. The "broke" firm is a provincial construction firm, Petev of Vac. But the case cannot be viewed as having only provincial significance. The often condemned procedures are based upon a law in effect nationwide, the 1977 enterprise law. A 1978 Finance Ministry directive regulates the details. This case may repeat itself at any time and is unparalleled only in the state sector.

The procedure intended to supplement the former bankruptcy laws, already affected and criticized by many, was brought to the surface by the case in Vac. Last November MAGYAR NEMZET printed an article entitled "The Shepherd's Woe," which discussed a shepherd in Baranya County who lost a whole year's income, because a cooperative he contracted with was liquidated, and his half million forint fee was not paid, since the coop could not cover it. It is expected in business life that liquidations will take place with the smallest amount of pain, based upon historical precedents in the legal institution. The bankrupt firm's assets should be divided up to have the smallest effect on other businesses and to prevent some creditors from being swept into disproportionately disadvantageous situations. The domestic liquidation process, in view of its conception, organizational structure and details, is currently inappropriate to correctly divide the financial burdens.

Current rules create unequal situations between differing forms of ownership and organization and also put some creditors into very vulnerable positions. Today's liquidation process is a mere "Quasi-bankruptcy procedure" which attempts to maintain the image of a classical economic institution by robbing it of its basic principles, solidified throughout the centuries. The procedure reconciling the needs of creditors is replaced by official measures, which replace the principle of equal sharing of losses with the practice of unequal shifting of the burden of the losses.



The number of firms in Hungary operating at a loss has grown, so the inquiry into the economic utility of the domestic liquidation process currently in effect seems justified. Last year in the non-agricultural branch, twice as many firms, 54 enterprises and 16 cooperatives, operated at a loss as in [figure indistinct]. The losses increased from 2 billion to 5.7 billion forints.

Those loss-generating firms which cannot recover on their own, 21 of the previous firms, usually are dissolved or rehabilitated. In the latter case, the firm's debts are settled mainly with credits. Dissolving can also mean absorption by another firm. The "absorber" firm takes on the burden of both the liabilities and the assets of the bankrupt firm. The more radical form of dissolution is liquidation. This is equal to liquidation without a legal successor. During liquidation, creditors can receive compensation only from the remaining assets of the debtor provided adequate cover is left.

The decisions related to liquidation concern three principles of the procedure which determine the status of the bankrupt firms' creditors:

1. the right to order a liquidation,
2. the administration and sales of the debtor's assets,
3. the ranking of the creditors.

These three basic issues have caused the current regulations to be debated by many.

Who has the right to order a liquidation and when? Ministerial directive 37/1978, which regulates the liquidation of firms, states: the firm can only be liquidated by the founding organ if it has received the permission of the minister of finance. (In Hungary, firms can be founded by: ministers, leaders of organizations with nationwide authority, councils, social agencies, social organizations, and national representatives of cooperatives.) The question of "when" is more complicated. The directive does not set forth the conditions the materialization of which automatically lead to liquidation of firms. The liquidation thus depends on the views of the founding organs and the financial government. Liquidation is originated from behind the scenes by authoritative circles. At present, creditors have no influence at all regarding the order to liquidate.

In contrast, the 1881 Hungarian bankruptcy law did have such provisions. According to that law, the bankruptcy process had to be started when, "one or more creditors request it, and it is likely, that the debtor's liabilities exceed its assets." Furthermore, a firm can request bankruptcy proceedings itself. The initiation of bankruptcy proceedings in the old Hungarian bankruptcy laws therefore was the concern of the broke firm and its creditors, especially in every case when the debtor became insolvent or its solvency became seriously doubtful.

Legal experts, comparing old and current bankruptcy proceedings are critical of the fact that current laws make it possible to put off those procedures. In the Vac case, after the first year of heavy losses, it took the founding

organs 3 years to convince themselves to liquidate the failing firm. The regulatory agencies usually don't risk their own money when they give new credits to support weakly performing organizations. Instead they put the creditors at risk. In contrast to the logic of the current process, the old system seems to be a lot more appropriate in that one of its rules states that a bankrupt firm can only continue operating, if its creditors approve.

The demands of the creditors could only really be placated, at the beginning of liquidation, if creditors were given the right here in Hungary to initiate the liquidation of a bankrupt firm. Many experts plead thusly. With this, they can live up to the directives of the old bankruptcy laws if the debtors' liabilities exceed its wealth. For social reasons, obviously a few bankrupt firms would have to be saved by centralized methods. In such cases it would be justifiable to give the creditors some guarantee from the state.

The polemics concerning the liquidation process, in legal circles, has covered the second point of disagreement: the administration of the debtors' assets and the liquidation of firms leaving no successor. First of all, the founding organ and financial regulations currently control exclusively the process of liquidation. This is done by the founder appointing a liquidator with full powers to control the bankrupt firm. The liquidator is similar to the public trustee, known from the old bankruptcy laws. The public trustee was entrusted to administer the assets of the debtor, but today's liquidator does more than one man's job.

First of all, a liquidator today among others has to maintain production equipment, ensure that farmland stays fertile, sell assets, prepare proposals to divide the assets and pay the demands of the creditors. The creditors have no influence in this process, even though their money is at stake! The liquidator is not responsible to any upper level independent agency (for example, a court) which would enforce compliance with the wishes of the creditors. Besides the founding organ, the liquidator is watched by the Finance Ministry, but this serves primarily to meet the needs of the state budget.

The institutional barriers to the expression of other interests gives the founding organ a method by which to cooperate with the liquidator and take advantage of the creditors. During the liquidation of Petev, the founding council sold the firm's assets, valued at 87 million forints, to a provincial coop, also under its jurisdiction for only 55.5 million forints. The sale under the established market value was another reason why the firm's partners received only half their claim of 121 million forints.

It is worthwhile recalling that the 1881 bankruptcy law attempted to minimize these types of manipulations. During the bankruptcy process the creditors created a bankruptcy committee of at least three members. This committee could supervise the public trustee in every phase of the operation. The committee could also suggest the removal of the public trustee to the bankruptcy court which directed and ensured the legality of the bankruptcy proceedings. (The

public trustee was appointed from a pool of practicing lawyers by the bankruptcy court anyway.) Another basic difference between the current system and the old one is that the creditors had the rights to the sale of the bankrupt firm's assets. They decided to whom, when, under what conditions, and for how much they would sell the debtor's real property and real estate.

The central idea of the once existent bankruptcy procedure and the equitable distribution of creditor's claims appears only in traces in current method of liquidation. The old bankruptcy procedure did not differentiate between banks and firms, state and private enterprises, when it made up the rankings. Only a very small circle of creditors was guaranteed priority in settlement of their tax claims. However, the current liquidation process sets up a rigid, eight step hierarchy among the creditors. During liquidation, those on the bottom of the list get compensated only after the top ranked group has been totally compensated. Of the traditional proportional compensation principle of the bankruptcy law, the new regulations only preserved one aspect. That is, if during liquidation the bottom group does not receive enough to cover all claims, then the creditors are compensated proportionally.

The "order of creditors" poses many questions. Why are the demands of the cooperatives' lobby organs, handled as a common fund, more important than the requests of the cooperatives themselves? Why are state and social organs more important than private individuals? Why are the banks in a more favorable condition than all the other listed creditors?

In the liquidation process, the interests of the centralized organizations are usually met at the expense of the other enterprises and especially private individuals. At the same time, the rules of liquidation do not give priority to those needs, where the privilege is really justified. The case of Vac pointed out a murky aspect of the current legal regulation. Guarantees linked to the work of liquidated firms will be carried out by a firm appointed by the founding organ. That is how it happened in Vac, that homes built by Petev could not be repaired under the guarantee and warranty, since there was no one to demand the repairs from. This legal solution is unacceptable, because it puts builders into a disadvantageous situation in the end no matter how careful they were during construction.

Many doubt the justification of giving taxes and other public obligations priority over other creditors' claims, even when the bankrupt firm is a state-run operation. Many legal experts assert that the state as the owner should bear the burden of a losing enterprise, that is, suffer reduced tax revenues.

The contradictions surfaced by the Petev case show the urgency of the need to reform the current legal regulations. The 1881 bankruptcy law can serve as a source for revising the system as soon as possible, using the services of various economic and legal experts. The old law also provides answers to many problems, not yet codified, resulting from liquidation. When the finance ministerial decree currently in effect was created in 1978, the need to eliminate firms did not emerge with such force as today.

SUPPLY OF CHEMICALS FOR AGRICULTURE DISCUSSED

Warsaw CHEMIK in Polish No 2, Feb 84 pp 31-34

[Article by Jerzy Paprocki, MSc, and Tadeus Gucki, PhD: "Application of Chemicals to Agriculture in Poland"]

[Text] The provision of a supply of considerably diversified chemicals indispensable in the food and farming sector constitutes a substantial range of operations of the chemical industry and is confirmation of its major influence on the status of the national economy.

It is assumed that nearly one-third of the world's chemical industry is working for agriculture. This index has been somewhat higher in Poland in recent years. Efficiency in the application of chemicals, especially man-made fertilizer, is, however, a matter open to discussion.

Currently, the most important chemical-industry product groups, widely applied in farming, are:

- man-made fertilizer,
- crop protection agents,
- chemical fodder additives,
- veterinary medications,
- preservatives,
- synthetic materials and rubber products.

The domestic status of each of the groups listed above is presented below.

Man-made Fertilizer

It is generally assumed that nearly 60 percent of Poland's agricultural yield increment is obtained due to the application of man-made fertilizer, and the remaining 40 percent of the increment is due to all other agrotechnical measures. Fertilizer use, especially in recent years, has been relatively high in Poland. With approximately 18 kilograms of NPK per hectare of

farm-use land and nearly 235 kilograms of NPK per hectare of arable land, Poland is ranked on the average European level. This statement cannot be made with regard to unit indexes of yields obtained (Table 1).

Table 1

Man-Made Fertilizer Use and Basic Farm Produce Yields in 1981 in Selected Countries

1 Kraj	2 Zużycie nawo- zów, kg NPK/ha gruntów ornych	3 Zbiory plonów z 1 ha upraw, q				
		4 psze- nica	5 żyto	6 jęcz- mień	7 ziem- niaki	8 buraki cukro- we
Polska 9	235	29,6	22,4	27,3	189	221
Bułgaria 10	256	42,9	—	—	—	—
Czechosłowacja 11	334	39,7	29,4	36,8	183	322
Francja 12	301	47,5	30,2	40,7	272	483
Jugosławia 13	104	31,9	—	—	—	—
NRD 14	344	43,5	26,9	36,2	205	281
RFN 15	471	50,2	35,7	42,3	311	484
Rumunia 16	154	25,9	—	27,7	150	—
USA 17	112	22,9	16,2	28,2	301	439
Węgry 18	279	40,0	—	—	—	—
Wlk. Brytania 19	294	54,7	—	42,9	316	362
Włochy 20	170	25,9	—	—	181	469
ZSRR 21	86	15,1	11,8	12,4	105	218

Key:

- |   |                    |
|---|--------------------|
| 1. Country  | 11. Czechoslovakia |
| 2. Fertilizer use in kg of NPK per hectare of arable land | 12. France         |
| 3. Yield from 1 hectare of cultivations, in quintals      | 13. Yugoslavia     |
| 4. Wheat  | 14. GDR            |
| 5. Rye  | 15. FRG            |
| 6. Barley   | 16. Romania        |
| 7. Potatoes   | 17. United States  |
| 8. Sugar beets  | 18. Hungary        |
| 9. Poland   | 19. Great Britain  |
| 10. Bulgaria  | 20. Italy          |
|   | 21. Soviet Union   |

Poland is among the world's ranking man-made fertilizer producers. With 0.23 percent of the world's surface and 0.41 of the world's farm land, the Polish People's Republic accounted in 1981 for 2.07 percent of the world's production of nitrogen fertilizer and 2.32 percent of the world's production of phosphatic fertilizer. Until recently, we exported these two kinds of fertilizer.

Due to a lack of resources for investing in modernization and replacement, along with certain limitations on raw materials, especially on natural gas, Poland is currently producing smaller quantities of fertilizer than before.

It is anticipated that only after the Police II complex becomes operational will we be able to achieve fertilizer output (in terms of N and  $P_2O_5$ ) equal to the quantities made in the 1970's.

Poland's raw material for the manufacture of nitrogen fertilizer is primarily natural gas (in part, imported from the Soviet Union), from which a semi-processed primary material for the production of most nitrogen based fertilizers is made. Due to the limitations mentioned above, some of that ammonia is also imported from the Soviet Union. Phosphatic fertilizer is made from phosphate rock imported from the second (hard-currency) payments area (United States, Morocco, Tunisia, and Togo), to a lesser extent from Kola apatites imported from the Soviet Union. Domestic sulfur is another raw material used to produce phosphatic fertilizer. Although Poland possesses some deposits of potassium salts (in the Gdansk area), they are not exploited and, consequently, potassium fertilizer is not made. Potassium-based fertilizer is imported whole from the Soviet Union and East Germany. A portion of the imported potassic salts is processed into combined NPK fertilizer.

Man-made fertilizer is manufactured in Poland as various products. Most popular among phosphatic single-component fertilizers are powder or granulate monosuperphosphate (Szczecin, Lubon, Tarnobrzeg, Wroclaw, Ubocz) and triple superphosphate (Gdansk). Small quantities of Phosphatic powder mix are also made (Jasice). Mononitrogen fertilizers are chiefly represented by urea (Kedzierzyn, Pulawy), ammonium nitrate (Wloclawek, Pulawy, Kedzierzyn, Tarnow), nitro-chalk (Kedzierzyn, Tarnow), and ammonium sulfate (Pulawy, Tarnow). Newer methods of fertilization apply combined fertilizers, which in the "amofos" and "amofoska" varieties are currently produced at Police I and labeled as NPK 8:24:24 fall fertilizer. In the future, Police II will also make springtime fertilizer NPK 17:17:17.

Side by side with the supply of nitrogen, phosphorus and potassium to the soil, fertilizing with lime and magnesium is becoming increasingly important. According to expert assessments, nearly half of Poland's cultivated land is deficient in calcium, while magnesium deficiencies are even more widespread.

Calcium-magnesium fertilizers are supplied to domestic agriculture by many economic sectors (including construction, the chemical industry, and metallurgy). Overall annual deliveries cover approximately 75 percent of the requirement for calcium and nearly 30 percent for magnesium. The economic sectors display definitely too little initiative, especially in magnesium fertilizer. Magnesium fertilizer deficiency in the soil, continuing over many years, causes specific adverse results in the yields and is indirectly detrimental to society's health. Fertilization and nutrition experts are unanimous in their assessment that magnesium deficiency in the soil not only reduces yields but is also the cause of many human ailments due to the shortage of this element in consumed agricultural produce.

A role similar to that of magnesium is played in the life of plants by microelements, or trace amounts of some metals, primarily boron, copper, molybdenum, manganese, and zinc. Poland's fertilizer industry produces commercial quantities of fertilizer with boron additives and is technologically

equipped to start adding other components, including those listed above, as soon as there is a stated requirement on the part of the agricultural sector. Multicomponent garden fertilizers containing microelements are also made.

At this time, Poland's fertilizer industry is seriously endangered by an ongoing loss of capital assets and gradual decline in the production capability of its individual plants. It is of some importance that the production techniques for most types of fertilizer are based on numerous highly corrosive agents (sulfuric, phosphoric, and nitric acids and their salts), which affects the durability of equipment and causes the necessity of frequent and costly repair and replacement in this industry.

As in many other countries, fertilizer production in Poland operates at a loss, which is the source of particular difficulties for this industry despite a system of suitable subsidies, which under the current economic reform give priority to profitable and self-financing sectors.

A second essential problem involving fertilizer production, though situated outside of the chemical industry, is efficiency in fertilizer use as evidenced by agricultural yields. According to Table 1, domestic agriculture obtains barely average yields per hectare. This was dramatically exemplified in the late 1970's by an increase in quantities of fertilizer delivered by the fertilizer industry, while agricultural yields per hectare concurrently decreased. A majority of the points of comparison in Table 1 indicate higher effectiveness of fertilizing than that achieved in Poland. Of course, prior to drawing final conclusions, it must be taken into account that fertilizer is the major, but not the only, deciding factor in farm yields.

Considering the domestic fertilizer industry's high capital intensiveness and high foreign-exchange absorptiveness, everything possible should be done domestically in order to intensify yield-generating factors other than fertilizer, so that overall (including increased fertilizer use) they might enhance the effectiveness of our agriculture, much desired by society at large.

#### Crop Protection Agents

Crop protection agents play a part of extraordinary importance in the farm and food sector. Currently, according to expert estimates, Poland loses 20 percent of its basic farm produce, 30 percent of vegetables, and 60 percent of fruits due to inadequate quantities and quality of crop protection agents in farming, food processing, and storage. Our country has been found to be host to approximately 1,200 species of insects and other pests and nearly 600 kinds of fungi, viruses, and bacteria which attack plants and farm produce at various stages of growth and storage.

Diverse preparations, generally referred to as crop protection agents (pesticides), are being manufactured and applied as countermeasures, including:

--insecticides and acaricides,

--weed-killers and growth controllers,

--fungicides,

--seed dressing agents,

--others of various applications, e.g., slug killers, nematocides, rodenticides, and repellents.

Used as pesticides or their components are the following principal groups of chemical compounds"

--in insecticides (zoocides), chlorinated hydrocarbons, organophosphorous compounds, carbamino derivatives, synthetic perithroids, warfarin and warfarin derivatives are all primarily used as spray dust, aqueous emulsions and suspensions, granulates, gases, mists, and aerosols;

--in fungicides, organometallic compounds, inorganic compounds of sulfur and copper, thiocarbamates and dithiocarbamates, phthalamide derivatives, analine derivatives and benzimidazole derivatives are chiefly used as solutions and suspensions in spray liquids and as seed dressing agents;

--in herbicides, the derivatives of phenoxy acids, urea, benzoic acid, triasine, and various heterocyclical compounds are chiefly used as solutions and suspensions for spraying.

Due to the ongoing curtailment of investment resources and justifiedly increasing environmental protection pressures on the chemical industry, its crop protection branch was in decline for several years. Even though pesticides have never been made in sufficient quantities domestically, their production was reduced in the late 1970's and early 1980's by 30 percent in comparison with the previous years. Deliveries of domestic and imported pesticides did not increase until 1982. Considering that crop protection agents have varied effects and biological impacts, a quantitative survey of pesticide application in terms of the volume of preparations used can lead to misleading or incorrect conclusions. With this in mind, it can be reported that the current index of use of crop protection agents per hectare is approximately 0.8 kg in Poland, 2.5 kg in East Germany and Czechoslovakia, and 5 to 6 kg in advanced Western countries. There is obviously much to be done in this sector in Poland. This view is reaffirmed by the inclusion in the 1983-1985 NPSG [national socioeconomic plan], among the few chemical and light industry investment projects financed from the central budget, of only two items for the chemical industry which are new factories manufacturing crop protection agents: pyrazone in Brzeg Dolny (Rokita Factory) and "bromfeninfos" in Jaworzna. The completion of these projects remains an urgent problem.

A serious drawback of the pesticide industry is its high rate of foreign-exchange absorption, since numerous raw materials and semiprocessed products for this industry are not made domestically and must be imported. There is an urgent need for expansion in the manufacture of semiprocessed products for the production of crop protection agents, including: propionic acid, cyanuric chloride, triethyl phosphate, pyromucic aldehyde, c-cresol,



dichlorobenzene, methyl chloroformate, dimethyl sulfide, sulfate, aluminum chloride, phosphorus pentasulfide, and sulfuryl chloride. To produce ready-for-use crop protection agents, a range of appropriate carrier substances are also needed, including freon, organic solvents, and mineral carriers like silica, kaolin, and smokebox dust.

#### Chemical Fodder Additives

Significant gains in livestock raising result from the application of appropriate fodder additives. It is generally assumed that the inclusion of 0.5 percent to 1 percent antibiotic-vitamin-mineral concentrate (known as premix) in animal feed results in increases of livestock production (primarily meat) by 15 percent on the average, with a concurrent 10 percent decline in feed use.

Premixed preparations contain a variety of chemical compounds, of which the most important are listed below:

--vitamins, primarily A, also B, E, and D, are a basic active ingredient in all types of premixes;

--animal growth stimulators are what is known as chemibiotics and fodder antibiotics;

--amino acids when added to fodder increase accelerated bulk gains. Methionine and L-lysine are chiefly used;

--mineral substances, including a wide range of inorganic salts, for the most part calcium and sodium phosphates, feed chalk and magnesium chalk, and various microelements in the form of iron, copper, manganese, molybdenum, cobalt, selenium, zinc and iodine salts, of course, in trace amounts;

--preservatives--those used to preserve fodder are usually the derivatives of propionic and formic acids;

--coccidiostatics are poultry feed additives inhibiting contagious diseases in poultry farms.

A majority of the substances listed above as premix components are obtained, unfortunately, from second payments area imports. The most important are fodder phosphate (supplementary import), lysine, methionine, vitamins, nicotinic acid, choline chloride, flavomycin, anhydride magnesium sulfate, magnesium oxide, and some others. In this situation, it is an urgent counter-import task of our industry to launch domestic production of at least some of these preparations as rapidly as possible.

On the basis of these raw materials, premixes are made by domestic chemical industry in Polfa's two pharmaceutical factories at Grodzisk and Kutno.

According to calculations by specialists, the value of additional domestic production of meat, eggs and milk plus the value of fodder savings made thanks to the application of premixes is more than 5 billion zlotys per year.

## Veterinary Medications

Veterinary medications are an important item provided by the chemical industry to meet the needs of livestock raising. Nearly 400 kinds of such medications are now produced domestically under the following headings:

- antibiotics, of which 10 varieties are used for veterinary purposes;
- sulfamides, especially important in combating animal diseases of bacterial origin;
- antidysentery medications, to combat this dangerous contagious disease in industrial hog raising;
- antiparasitic medications, indispensable in mass animal raising to contain invasive animal diseases;
- hormonal medications, chiefly used to control the mating season in animals;
- psychotropic medications, used to suppress stress in animals when changing their location;
- stimulant preparations, accelerating metabolism and enhancing vitality;
- vitamin preparations, administered as auxiliary medications or to prevent various ailments.

Half of these medications, valued currently in Poland at 3.5 billion zlotys annually, are delivered by Polfa pharmaceutical industry plants. The remainder comes from the factories of biowet, enterprises of the veterinary and zootechnical industry. Within the pharmaceutical industry, the Polfa plant in Kutno is the chief supplier of veterinary medications.

## Preservatives

Substances known as preservatives which enhance the durability of farm and food articles, mostly final products (including fodder), have found a relatively limited use up to now in the domestic farm produce processing, food industry, and the fodder sector. Their utilization is much higher in the advanced countries.

Preservative applications are usually based on a single or mixed approach:

- generation of an acidic or alkaline medium inhibiting growth of noxious microorganisms,
- prevention of vitamin decomposition and rancidification of fats,
- selective effect on specific microorganisms.

The most frequently used preservatives include sodium benzoate and fodder urea (now in domestic use) as well as formic and propionic acid salts, ammonium isobutyrate, urea phosphate, and acidol. The last four are not produced domestically. An initiative to start their production on the part of domestic chemical industry plants is highly desirable.

Fodder conservation exemplifies Poland's considerable demand for preservatives. Currently, less than 1 percent (approximately 100,000 tons) of the 50 million tons of silage made by domestic agriculture is prepared with the use of preservatives. This results in serious losses to the country's fodder economy. In order to eliminate those losses in the fodder economy alone, agricultural scientists estimate Poland's requirements for various preservatives to be nearly 25,000 tons a year by 1990. Moreover, a broad array of preservatives must be supplied to the food industry. In sum, delivery of preservatives for fodder and food products is a major problem for future solutions by the chemical industry in Poland.

### Synthetic Plastics and Tires

Man-made plastics are used in agriculture and the food processing industry in increasing quantities and variety, substituting for other materials used until recently, which are in short supply. These include drain pipes, bags, garden plastic sheeting and packaging materials for crop protection agents and foodstuffs.

Currently, the country's annual consumption for the direct purposes of agriculture and the food industry is approximately 70,000 tons of synthetic plastics, broken down as follows:

- polyethylene: plastic bags, mainly for fertilizer, garden and wrap sheeting, food product packaging, transport containers, barrels, and netting for vegetables and fruits;
- polypropylene: woven sacks, farm twine, pressure pipes, transport containers, food product packaging;
- polyvinyl chloride: pressure and drain pipes and stiff plastic sheeting;
- polysterene: agricultural plastic sheeting;
- styrofoam: styrofoam panels.

The principal suppliers of plastic products for agricultural purposes are the plants at Pulawy, Blachownia, Wloclawek (sacks), Tychy (garden and wrap plastic sheeting), Tarnow and Boryszew (drain pipes), and Zabkowice (transport containers).

An important item in the application of chemical products to agriculture is the manufacture of tires and inner tubes for tractors, trailers, and farm machines. Agriculture's current and near-term needs for these products, in thousands of items per year, are as follows:

	<u>1983</u>	<u>1985</u>	<u>1990</u>
tractor tires	910	1,110	1,400
farm machine tires	670	900	1,400

In order for the chemical industry to be equal to these tasks, the Stomil plants must be expanded, primarily those at Debica and Olsztyn, and the production or import delivery of rubber, cordage, and carbon black must increase.

8795

CSO: 2600/873

PROBLEMS, PROSPECTS OF INDUSTRIAL R&D INSTITUTE SURVEYED

Warsaw ZYCIE WARSZAWY in Polish 28 Mar 84 p 3

[Interview with Dr Jerzy Bucia, director of the Institute of Precision Mechanics, by Bozena Katora; date and place not specified]

[Text] In the opinion of the personnel, the institute you direct has done very well for itself, while others are barely breathing. Last year, it sold its ideas and production for 800 million zlotys, and there are plans this year to exceed 1 billion zlotys. Industrial plants are awakening. They are coming to you for technology described yet only in reports. How do you do it?

[Answer] We try to make those items needed by industry.

[Question] Others also are trying, but your institute does it better.

[Answer] There are several reasons. First, we work in an area where implementation of our ideas does not require great capital outlays. Second, we have required training of our workers. Third, we have around 3,000 consultations with industry representatives every year.

[Question] This comes to around 10 each day. For how many workers?

[Answer] More or less 200.

[Question] Does anyone protest?

[Answer] They protest. This is rough for people, because in addition there aren't any designated "reception days." Here the doors are always open. Every day. The plants know about this and send their employees here for discussions and information on an ad hoc basis, without setting up appointments. But new themes come out of these discussions. We don't allow laziness.

[Question] The Institute of Precision Mechanics is occupied with. . .

[Answer] . . . heat treatment of metal, corrosion protection or protective covering and, since the mid-1970's, industrial robots.

[Question] And precision mechanics?

[Answer] We did that once but not now. But because we have a good name in the world and in the country, we decided that the name should remain unchanged. One of the ministers wanted to change the name by force -- to the Institute of Metallography and Coating -- but I stood firm and said, "Over my dead body."

[Question] Did it help?

[Answer] As an example, I cited the English firm Electronic Musical Instruments, which stopped making only musical instruments a long time ago. They now make radar and mechanisms for nuclear energy, but they have not changed their name. In Poland, we have manufactured products for several thousand plants and they know us only as the Institute of Precision Mechanics. Let it stay that way.

[Question] How many years did it take to build up that client base of several thousand plants?

[Answer] On the average, we produce over 150 products in over 200 plants annually.

[Question] You said that new technology from the institute does not require large investments. Why?

[Answer] Because in essence the entire apparatus does not have to be changed. Take, for example, galvanized technology or covering materials with protective substances. For the most part, the technological parameters of the bath are changing. The galvanized baths and other fittings can remain unchanged. In spite of this, the quality of the product can exhibit enormous differences. Around 1,000 plants in Poland use our galvanized technology.

[Question] What do industry representatives expect from the institute?

[Answer] For example, that we help them to overcome imported tools with higher Polish quality. We have begun to use domestic tools, but the durability of their products has radically fallen. Can we do something about this? We can. We have worked out a new technology for maintaining Polish materials at a higher durability.

[Question] And subjects bought on the run?

[Answer] An example is Transportation Equipment Works in Okecie. This also dealt with the treatment of tools. They learned that we do this. We were not quite prepared when they came to us and said that they could make a prototype for us for use at their works. When the report came out, they already had everything in good order. After that, there was a lot more training.

[Question] Have you been better off by the reform?

[Answer] Not only the reform but also the crisis has guaranteed us more clients than we had had previously, because we have cut back on our imports. We encouraged firms to use our services. We showed that there was no need to import. But industry preferred to buy abroad. When import possibilities were lacking, lines formed outside of the Institute.

[Question] Does the institute's income come only from the sale of technology?

[Answer] No, we produce a lot. If we summarize everything we sell as 100 percent, then almost 50 percent comes not from the sale of technology but rather from the production of goods, preparations and tools. We want to expand this production and earmark the profits toward research.

[Question] Is such a transfer possible without limitation? Do certain limits exist?

[Answer] We have already begun the third year of this operation. This year we would like to have production valued at over 1 billion zlotys. We also are thinking that the portion we have been selling as technical thought itself, formulas, technology, we'll now apply to production ourselves and then sell someone this license.

[Question] Last year, the institute had sales of over 800 million zlotys. For how many people?

[Answer] For around 1,000.

[Question] Does this have any effect on earnings?

[Answer] Ha! Unfortunately not.

[Question] This means that if the institute earned 400 million zlotys rather than 800 million, the employees' paycheck would not be any different?

[Answer] Please, earnings are now the highest allowed under the reform.

[Question] Are there principles in the reform that would tie a plant to the initiative of the people and their earnings?

[Answer] As you read in the press or hear on television, all responsible ministers state that such a relationship exists, but I feel that it does not, and the majority of people in industry feel the same way as I. Let's draw conclusions then from this.

[Question] What would the institute lose from such an arrangement?

[Answer] The reform does not have a direct relationship between the lowering of costs and the earnings of the workers. There is such a relationship between the lowering of costs and the profits of the entire institution. Profit is the difference between costs and the sale price. Such a

relationship exists. But a direct tie felt by an employee is not there. If he knew that he could make more by saving energy, then there would be problems. There should not be any occasional premiums or awards.

[Question] Doesn't the new Sejm resolution on pay scales give certain guidelines in this area?

[Answer] The new resolution can change a lot, but not yet in scientific institutes. The Council of Ministers can adopt a resolution for adapting this to the institutes. For now, no such resolution has been adopted. We have at present a tariff rate, and we cannot pay people more than is indicated in this rate.

[Question] The ceiling is still in force?

[Answer] Of course. In practice, the same tariff rate has been in effect since 1976. It was introduced in bits and pieces based upon Resolution 135. But Resolution 135 is also a tariff rate. It only corrected certain things, i.e., it broadened pay rates. The top rates exist as they existed before, even though they were raised two or three times. This still does not address the issue of work productivity and earnings.

[Question] What solutions are you thinking about?

[Answer] I am concerned that they be open resolutions, without a top rate that is illegal to exceed. Beyond the certain guaranteed minimum earnings and minimum taxes, the remainder should be determined exclusively by product output. In the opposite case, the institute's earnings can have only a loose relationship with the employee's earnings.

[Question] Do you have a certain amount of freedom to met the height of premiums?

[Answer] Only from the first of January. Only then did they lift the limitations on individual payments. But I wonder how far we can go with this when the tariff rates set a maximum wage. It would be absurd if the premiums were several times higher than the wage. A compensation system should not be based on this.

[Question] How do you assess the future of the institute?

[Answer] I am certain that we'll make it. We have worked out a system for dealing with scientific-technical and economic issues. We really understand the institute's role for industry. We could be left alone and still maintain that role. We follow what is taking place in the world and we know what the enterprises in the country need.

[Question] Don't you have a shortage of information on what is happening elsewhere?

[Answer] No.



[Question] I hear about universal problems, a shortage of journals and professional literature.

[Answer] Those people who wait only for the libraries certainly do have problems. We are involved in industry and thus have a wide variety of sources of information. Moreover, we publish our own journals that are numbered by libraries, even the Library of Congress in the United States. We receive the needed journals. We also take care to have representatives at congresses, symposia and conferences.

[Question] Does the institute cover the costs with its own funds?

[Answer] At present, yes. We get by as we can. But these are invaluable contacts and information.

[Question] Do you feel the lack of a center to coordinate the development of science and technology?

[Answer] The answer is not easy because in present conditions it is yes, but in general, no. At present science in Poland is on three levels, and there is a lack of coordination. Not from the point of view of science, but the economy. Such a unit could fulfill the functions if it were above all levels of science. It should be a unit that addresses the economy's needs from science. The government should have its own independent organ to address issues of funding for new areas in the economy. The interests of the economy should be paramount, and this state organ must address them.

9807

CSO: 2600/898

RESULTS OF APRIL LIVESTOCK INVENTORY REPORTED

Warsaw RZECZPOSPOLITA in Polish 20 Apr 84 p 5

[Article by (ls): "We Have To Wait for Better Results"]

[Text] Generally speaking, the results of a typical farm livestock inventory for April, as analyzed by the Main Statistical Office, promise further progress in milk production, but not a very favorable situation in the production of slaughter animals in the second and third quarters of this year. However, a certain improvement should begin at the start of the fourth quarter.

As a result, the summer months, like Easter, do not appear to be very favorable as far as meat at the market is concerned. A certain improvement in the slaughter livestock situation is not expected until around Christmas time, but we should keep in mind that this improvement, too, is dependent on this year's harvest of feed.

The April inventory confirmed the signs of a slow rebuilding of our cattle herds. These signs have been observed for a while now. Today, livestock is 0.5 percent higher than a year ago, at 11.3 million animals. Progress, however, has been recorded only on private farms: an increase in livestock of 2.4 percent. On collective farms, cattle livestock has decreased during the year by 6.6 percent. The number of cows in the cattle herds has increased; at the same time, however, the number of young cattle has decreased somewhat. This is not a favorable development.

Changes in the swine livestock situation interest the consumers most. Pork figures prominently in our meat consumption and lately it has not been very easy to find it in adequate quantities or assortments at the market. The April inventory of livestock says nothing about the fact that there has been a fundamental change in the husbandry of swine livestock. The number of swine is no longer declining, but this is only a modest improvement.

We have 16.6 million pigs currently on hand; this is about 2 percent less than a year ago, but around 700,000 animals more than at the close of the fourth quarter of 1982. Private farms have 12.2 million animals, while the collective farms have 4.4 million. The number of sows, the basis for future production, is 66,000 animals greater than it was toward the end of last year and even 26,000 animals more than in the first quarter of 1983.

During the January to March timeframe, 458,500 pigs were bred, but there are fewer porkers and piglets today. Such a profile of the herds augurs poorly for the summer months, with improvement coming only in the fall of this year or, perhaps, even in 1985.

The Main Statistical Office notes that the same modest progress in swine husbandry has been made on both private and collective farms. It seems that the number of swine on collective farms has even stabilized, while the rate of increase in the herds of sows is twice as great as on private farms. This is explained by the high cost of piglets (4,200 zlotys per herd as of March 1984). These high costs do not encourage the farmers on two-thirds of the private farms, which do not have pigs, to produce the necessary feed for them.

In noting some of the more favorable developments in the breeding of our basic farm livestock, we have to keep in mind that there is still a great deal to be done in this area. The current number of cattle livestock is still 1.5 million less than in 1980, a year that is regarded as a good one in comparison to 1984. There were 4.6 million more swine then as well.

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## BRIEFS

COAL MINE CONSTRUCTION PROGRESS--Another major engineering operation has gotten under way at the site of the construction of the "Belchatow" Brown Coal Mine. Work has been completed on the assembly of the fifth and last dumping conveyor, while work has just begun on the complex operation of moving this machine to its work station, i.e., to an appropriate level at the dumping ground site. "This is a gigantic machine, the size of which surpasses any of the others operated in Poland before, and it is the biggest one in the country right now," said Engr Leon Wojnowski, chief specialist in charge of the supervision of power machinery capital projects. "We imported it from the GDR, but the assembly work was done by crews from Polish firms." A few of the machine's basic dimensions should be cited in order to give the reader an idea of how huge it is. It is 216 meters long, 51 meters high, weighs 4 tons, and can handle a load of 15,500 cubic meters per hour. "We have started work on the very difficult operation of moving the dumping conveyor to its work station," said L. Wojnowski. "A distance of 5 kilometers will have to be covered in order for the dumping conveyor to be moved from the assembly area to its work station. This trip will take approximately 2 weeks." [Text] [Warsaw TRYBUNA LUDU in Polish 16 May 84 p 1]

STEEL MILL DAMAGE CONTROL--In mid-February of this year at the "Stalowa Wola" steel mill a breakdown occurred in the system supplying power to one of the arc furnaces. A dangerous fire then broke out causing a portion of the roof to cave in. Considering the fact that it was necessary to take two electric furnaces out of production, losses might have been substantial were it not for the good and efficient work put in teams of specialists, including in particular the service personnel working under the direction of the "Stalowa Wola" mill's chief mechanical and power engineer. Over the span of a couple weeks the damage done to furnace No 2 was repaired. As a result, this furnace was able to start smelting steel again as early as the end of February. However, furnace No 4 has just gone back into service after being shut down for 72 days. [Text] [Warsaw TRYBUNA LUDU in Polish 16 May 84 p 5]